

FINANCIAL TIMES

BRITAIN

Pros and cons of televising courts

Page 12

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Tuesday May 23 1989

World News

Alfonso to resign early to make way for Menem

Argentine President Raul Alfonsín said he was prepared to make an early handover of power to president-elect Carlos Menem. Page 6.

Indian N-test

India has launched a long-range guided missile successfully after two abortive tests, raising confidence in the country's capability to launch nuclear warheads. Page 24.

Solidarity campaign

Leaders of Solidarity, the Polish trade union, urged supporters to vote in next month's elections to vote for party officials who took part in talks on legalising the union. Page 2.

German N-move

West German Government conceded more ground in the dispute with Nato over modernising short-range nuclear weapons. Page 2; UK reaction, Page 3.

Recruit charges

Two senior Japanese politicians involved in the Recruit scandal were indicted on charges of taking bribes from Recruit, the telecommunications company at the centre of the affair. Page 24.

Cossiga opens talks

President Francesco Cossiga of Italy has begun negotiations to form a new government following the resignation of Prime Minister Ciriaco De Mita. Page 3.

Social contract bid

Portuguese unions want a new social contract because of damage to wages caused by the worst inflation figures for three years. Page 2.

Antarctic park

Australian Government has decided not to sign the Antarctic Minerals Convention and is to press instead for the creation of an Antarctic wilderness park. Page 4.

Coalition rejected

Communist Party in Greece rejected the possibility of a coalition with the ruling Socialist Party while Prime Minister Andreas Papandreu remained its leader. Page 3.

Indonesian capsize

Thirty people were killed and more than 120 are missing after their ship capsized in rough seas off the Indonesian resort island of Bali.

Gurkha force cut

Britain is to cut its famed Gurkha army regiment by half, in a surprise move likely to hit the economy of Nepal where the troops are recruited. Page 10.

Journalists killed

Two Colombian journalists, kidnapped on Saturday in the southwestern city of Cali, were later found dead, having been tortured. Thirty-eight journalists have been killed in the past 12 years in Colombia.

Chile election date

Chile's government proposed postponing the registration date for all political candidates in the December 14 elections. Page 6.

Tamil pitch battle

Two rival Tamil separatist groups fought a pitched gun battle in northern Sri Lanka in which more than 50 of their fighters were killed.

Business Summary

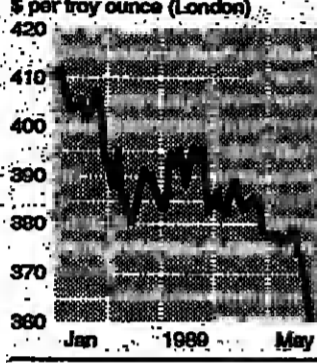
Motorola talks fail to reach agreement

Talks between Motorola, the US communications company, and Japan's Ministry of Posts and Telecommunications failed to solve a dispute over radio frequencies that could lead to punitive US tariffs on Japanese exports. Page 24.

PRECIOUS METALS

Prices continued to slide under pressure from the dollar's strength. In London; gold fell by \$4.75.

Gold price



to \$360.25 a troy ounce, platinum by \$5.75 to \$452.75 and silver by 20 cents to \$14 cents. Page 42.

VICKERS, UK engineering group, is selling its Howson Alpacas printing plate business to Du Pont's chemicals group, for \$400m. Page 25.

KUMPULAN GUTERIE, Malaysia's largest plantation group, is to gain a listing on the Kuala Lumpur Stock Exchange through a public equity offer. Page 25.

CONTINENTAL, West German tyre maker, announced profits up 40 per cent after adding earnings from General Tire, the US tyre group it purchased in 1987. Page 26.

SOUTH KOREA has signed three agreements with the US promising elimination of key export barriers and liberalisation of foreign investment. Effects of trade law on Japan. Page 8.

CREDIT LYONNAIS, French bank, announced plans to bid for additional shares in Credito Bergamasco, an Italian bank, taking its total holding to nearly 49 per cent. Page 26.

COMPAQ Computer of the US beat rival IBM in the race to launch what is claimed to be the most powerful and expandable desktop personal computer in the world. Page 27.

ASAHI CHEMICAL industry, leading Japanese manufacturer of acrylic fibres, announced an increase in profit to \$35.7m. Page 28.

RAND MINES of South Africa announced firmer export demand for coal and increased profits. Page 28.

AMERADA HESS, US oil and gas company, is paying \$911m in cash for gas reserves in the Gulf of Mexico, bought from Transco, the US gas pipeline company. Page 27.

BWATER, private UK water contractor, announced an agreed cash offer of \$28m for Bournemouth and District Water Company. Page 26.

CIRCLE K, US convenience stores with extensive operations abroad including the UK, has put itself up for sale. Page 26.

BOBST, the world's leading producer of machinery for converting cardboard and paper into printed packaging, expects to increase sales to \$630m in 1989. Page 25.

NOBEL INDUSTRIES, Sweden's largest chemicals and ordnance conglomerate, is negotiating with Philips of the Netherlands to acquire a majority stake in Philips' electronic defence operations in Sweden. Page 26.

US voices concern as Group of Seven fails to halt dollar

By Simon Holberton in London and Peter Riddell in Washington

A SURGE in the dollar on foreign exchange markets yesterday prompted the Group of Seven leading industrialised countries to try to convince financial markets that exchange rate co-operation remained intact.

The US currency rose 4 pence and 1/2 to 144.10, in spite of another co-ordinated round of central bank intervention in Europe and heavy intervention by the Bank of Japan earlier in Tokyo.

The dollar's rise has cast doubt on the ability of the G7 and its central banks to preserve currency stability as enshrined in the February 1987 Louvre Accord. G7 ministers are due to meet in Paris at the end of the month and this could provide an opportunity to reaffirm their commitment to stability.

The strength of the dollar, however, lifted US bond prices, which in turn supported stocks. The Dow Jones Industrial Average edged ahead to a post-crash high, closing up 0.22 at 2,502.02 despite some profit-taking.

In Washington, it forced the Bush Administration to reaffirm its support for international economic co-ordination and express its concern over the US currency's sharp rise.

Until now, the Administration has been publicly reticent about the rise in the dollar, believing there is little it can do, especially with the Federal Reserve determined to maintain its interest rate policy for domestic reasons.

In a prepared statement, a White House spokesman said: "The recent rise against other currencies is a matter for concern."

He noted that the latest appreciation "has also prompted questioning of the Administration's commitment to the process of economic policy co-ordination by the G7 countries, but stressed that the Administration remains fully committed to this process."

In Europe, however, questions about the G7's unity were fuelled by the inability of the major countries to enforce their will on currency markets.



The dollar climbs above DM2 for the first time in 2 1/2 years to Frankfurt yesterday

Dollar

Against the D-Mark (DM per \$) 2.0 1.9 1.8 1.7 Against the Yen (Yen per \$) 150 140 130 120

Sterling Index

Av. 1985-100 Source: Bank of England 99 98 97 96 95 94 93 Nov 88 1989 May

dollars when the dollar was weak and spent \$15bn trying to stop it rising. "The Louvre Accord is all about co-operation and, in the last resort, it is in everyone's interest to do just that."

Baker calls on Israel to hold serious talks with Palestinians

By Lionel Barber in Washington

MR JAMES BAKER, US Secretary of State, yesterday called on Israel to hold a serious dialogue with Palestinians in the occupied territories and for the first time outlined steps which each side should take to achieve peace in the Middle East.

In an unusually tough speech, Mr Baker called on Israel to forswear annexation, stop the expansion of Jewish settlements, reopen schools in the territories, and to lay aside what he called "the unrealistic vision of a greater Israel."

Mr Baker chose as his forum the American-Israeli Public Affairs committee, the most powerful pro-Israeli political lobbying group in the US. His speech was greeted with silence.

international organisations and "take concrete steps towards accommodation with Israel."

In a separate message to the Palestine Liberation Organisation, with which the US opened a dialogue in December, Mr Baker said it should amend its covenant which calls for Israel's destruction and "translate the dialogue of violence in the intifada (the uprising in the West Bank and Gaza) into a dialogue of politics and diplomacy."

However, it was the tough language which Mr Baker reserved for Israel which stunned his audience and which is likely to reverberate internationally.

Many of America's allies have accused Washington of soft-peddling in its Middle East diplomacy and of being too accommodating of Israel.

short of a call for direct talks with the PLO which Israeli politicians have vowed to fight.

Mr Baker acknowledged that Israel's four-point peace initiative, including the creation of a Palestinian delegation in the occupied territories that would negotiate interim self-rule "has given us something with which to work."

The plan also envisages that the Palestinian delegation would negotiate final status for the West Bank and Gaza which were occupied by Israel in the 1967 war. But Mr Baker said: "Much work needs to be done to effect Palestinian and Arab thinking... and to flesh out some details of Israeli proposals and to bridge areas where viewpoints differ."

Mr Yitzhak Rabin, Israeli Defence Minister, is due to meet President Bush tomorrow. Yesterday the US promised it would try to keep military aid to Israel at \$1.8bn next year despite budget cuts.

MARKETS table with columns for Norway Oslo SE, Sterling, Dollar, Interest Rates, and Stock Indices.

Table with columns for Agriculture, World Guide, Commercial Law, Commodities, Crossword, Currency, Editorial Comment, Euro-options, Raw Materials, Stock Markets, Wall Street, London, Technology, Unit Trusts, Money Markets, and World Index.

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China's PM in struggle for political life

By Peter Ellingsen in Peking

CHINA'S Prime Minister was yesterday believed to be battling for his political life after the apparent refusal of some army units to act against tens of thousands of pro-democracy demonstrators still controlling the centre of Peking and the Tiananmen Square.

Li Peng was fighting for his position as Zhao Ziyang, the party secretary general, returned to his office in the Zhongnanhai compound in the city centre from three days' "sick leave" taken in protest at the declaration of martial law.

Confusion was fed by a profusion of rumours, beginning with reports that Li and Deng Xiaoping, the supreme political leader, had been ousted.

These reports later seemed unfounded as both men were referred to by their proper titles in official media.

More than 100,000 protesters staged a peaceful rally for democracy in Shenzhen, the special economic zone adjacent to Hong Kong which has a heavy concentration of foreign investment.

Chinese state television reported that military control had been imposed in the industrial city of Wuhan after a sit-in closed a bridge over the Yangtze River.

The overall situation remained unclear, with Zhao, the only top leader not to be vilified by the student campaign, believed to be trying to overturn Li's hardline towards the five week old demonstrations.

Members of the National People's Congress, China's legislature, were reported to be gathering signatures to convene a special session which would consider the legality of the martial law decree.

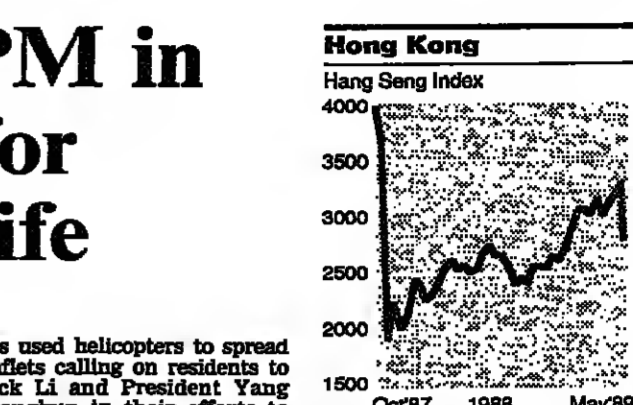
Some 50 out of 80 necessary signatures were said to have been collected.

In an indication of the division within the leadership, the Peoples Daily carried conflicting messages about the unrest.

On one side of the front page the party mouthpiece had a headline editorial attacking the demonstrations, while on the other, was a story quoting the Hungarian Prime Minister as saying that the most hated part of Stalin's rule was his use of the military against ordinary people.

An emergency meeting of the standing committee of the ruling Politburo was called in an attempt to find a solution to the crisis which has paralysed transport and other services in the capital, and led to the Government losing control of Peking, Shanghai and other regional centres.

In an effort to shore up the government position, authorities used helicopters to spread leaflets calling on residents to back Li and President Yang Shangkun in their efforts to end the protest and restore order to the capital.



Selling on HK market worst since 1987 crash

By John Elliott in Hong Kong

HONG KONG'S stock market was hit yesterday by its worst spate of local and international selling since the 1987 world markets crash as investors reacted to events in Peking.

Reports of possible army clampdowns on the Peking demonstrators wiped nearly 11 per cent off the Hang Seng index, which dropped 339.06 to 2,506.57. However, officials rejected suggestions that there was panic, adding that there was no evidence of local or international loss of confidence in Hong Kong.

Members of the colony's executive and legislative councils reflected growing public worries in a statement which expressed "serious concern" about the situation in Peking and hopes that China's army would not use force against the students.

They had met to assess public reaction following a peaceful demonstration of between 600,000 and 1m people on Sunday. The centre of Hong Kong returned to normal yesterday and displayed none of the tension which arose in the late 1960s when China's cultural revolution brought rioters on to the streets.

Mr Allen Lee, senior member of the colony's legislative council, said the march was "not only an emotional outcry but a demonstration of great concern about the future of China." However, he rebutted any suggestions that the stock market falls were caused by a "loss of confidence."

Mr Frances Yuen, chief executive of the stock exchange, said the selling did not reflect "panic." Brokers supported this with reports of some buying at the day's lowest prices.

Continued on Page 24 World stock markets, Section II

Fidelity advertisement titled 'THE POWER TO PERFORM' and 'Performance comes first at Fidelity.' Includes a performance chart showing 111143111 and contact information.

## EUROPEAN NEWS

## Radicals prepare to flex muscles at Moscow Congress

By Quentin Peel and Bruce Clark

A FIERCE political struggle in the Soviet Communist Party to dictate the whole future of Mr Mikhail Gorbachev's perestroika reforms, has come to a head this week in the days before the opening of the Congress of People's Deputies, the 2,250-strong new super-parliament.

Some 34 members of the party's central committee spoke at what was expected to be a stormy meeting yesterday, including the leading conservative, Mr Yegor Ligachev, who apparently denounced corruption charges made against him during the election campaign, and Mr Boris Yeltsin, his main critic on the radical wing of the party.

At stake is the role of the new Congress, the status of its deputies, and how it will vote on a whole new line-up in the Soviet government. Behind that debate is a bid by radicals, both within and outside the ruling party, to break the power of the party apparatus and government bureaucracy by bringing a fundamental political debate into the open.

Old-guard regional party leaders have seen their traditional power bases drastically eroded by the upsurge in popular democracy in the elections. Re-run polls in 198 seats across the country, many of which produced no result because local party leaders standing unopposed were crossed off the ballot paper by voters, have now produced a string of new reformers to join the Congress — although the radical group is still clearly in a minority.

New names among the victors include Mr Vitaly Korotich, the outspoken editor of the magazine Ogonyok and hane of party conservatives; Mr Valentin Logunov, deputy editor of Moskovskaya Pravda, the Moscow Communist Party newspaper, who won the Kuntsevo seat after openly attacking Mr Lev Zaitkov, the party boss, during the election; the poet Yevgeny Yevtushenko, who won a constituency in Kharkov, in the Ukraine; and Mr Nikolai Ivanov, the investigator who won heavily in Leningrad after he claimed that Mr Ligachev had been named in a

corruption inquiry.

Radicals believe they can call on the support of up to 700 deputies in the future Congress, well short of a majority but enough to force a genuine political debate into the open.

They are calling for the inaugural session of the Congress to be held without a time limit, to enable the country's economic crisis to be debated in detail, and all the recent legislation put forward by the government to be analysed — and where necessary, amended.

A key issue on which the Communist Party leadership at least partly backed down yesterday was the new law on crimes against the state, which had been fiercely criticised by reformers. The Supreme Court yesterday restricted the meaning of "discrediting" public officials.

Mr Arkady Murashov, one of the Moscow group of radical deputies led by Mr Yeltsin, the former leader of the Moscow party who won a landslide victory in the elections, said they were determined to force a debate on the economic crisis, and the crisis in relations among the differing nationalities in the Soviet Union.

A mass rally in Moscow on Sunday night, addressed by Mr Yeltsin and a string of other deputies, supported every radical demand proposed, including calls for the resignation of Mr Ligachev, and Mr Nikolai Ryzhkov, the Prime Minister.

Mr Yeltsin has refused to say whether he will stand for president. However, Yeltsin supporters say that Mr Gorbachev unsuccessfully tried to persuade him to accept another senior post in the legislature — widely rumoured to be vice-president — in return for tiding down his criticism.

"The main slogan of this meeting was to transform the Congress into a sort of legislative body to practically change the political system," according to Mr Yuri Skubov, of the banned Democratic Union, who addressed the rally. "It is unlikely, if you take the number of conservatives there. But it will be broadcast on television: everything will be shown before a country which is quite radicalised now."

## Union endorses election candidates

By Christopher Bobinski in Warsaw

SOLIDARITY leaders have started to urge their supporters to vote in elections on June 4 for those party officials who took part in round-table talks earlier this year which led to Solidarity's return and the elections themselves.

Mr Lech Walesa, the Solidarity leader, told a crowd of several thousand in Bydgoszcz at the weekend that they should vote for some official candidates, and hinted that Gen Czeslaw Kizczak, the interior minister, and Mr Stanislaw Ciosek, a party secretary prominent in the talks, were worthy of support.

The shift in tone comes after a meeting last Friday between Solidarity and the authorities, where officials complained that Solidarity candidates were telling people to cross out all official candidates.

Most at risk is the "national list" of 35 names put forward by the authorities. They are not standing against anyone, but each has to get 50 per cent plus one of the national votes to get into parliament.

The list contains Mr Mieczyslaw Rakowski, the Prime Minister, who continues to arouse Solidarity's hostility, and Mr Wladyslaw Baka, the party secretary in charge of the economy, whom Solidarity would favour.

Solidarity's leadership has suddenly realised, to its dismay, that its partners in the round table could be eliminated from Parliament if enough voters take the advice being given them by grassroots Solidarity activists: "Cross out all 35 and draw a spade on the ballot paper to show they are ripe for burial", a farmer in Sieradz, near Warsaw, told a Farmers Solidarity meeting last week.

Should the national list fail to be elected and Solidarity win all the seats available to it under an electoral pact with the authorities, the government will hold a slim three-vote majority in the National Assembly, which is made up of the lower and upper chambers combined, and which will elect General Wojciech Jaruzelski, the party leader, as president.

## EC cool on loans for Poland to encourage reform

By David Buchan in Brussels

A PROPOSAL to encourage Poland's political reforms by lending European Community finance to the deeply-indebted Warsaw government yesterday ran into objections from the UK and some other EC member states.

The European Commission proposal, which would involve the Luxembourg-based European Investment Bank (EIB) lending for the first time to a Comecon country, won backing from Germany and Denmark at yesterday's meeting in Brussels of EC foreign ministers.

Mrs Lynda Chalker, the UK foreign office minister for European affairs, said it was beyond the EC's competence to consider issues relating to the debt of Poland, or of any other country.

Her stance received some support from France and the Netherlands. However Mr Jacques Delors, the Commission president, said he hoped to raise the Polish debt issue at forthcoming summits of the EC and the Group of Seven in industrialised countries.

Mrs Chalker gave support to the other suggestions made by Mr Frans Andriessen, the EC external affairs commissioner, yesterday that in view of the Warsaw government's recent political reforms, including legalising the Solidarity trade union and holding relatively free elections next month, the EC should admit more Polish industrial and agricultural goods.

"The key to arriving at an agreement with Poland will be to offer it a timetable for abolishing quantitative restrictions, on similar lines to the agreement reached with Hungary," she said.

Last year Hungary signed a trade and economic co-operation agreement with the EC by which the latter is to phase out all quotas on Hungarian industrial goods by 1996. At the time, Brussels officials said this was in view of Hungary's record of relative political liberalism, and no other Comecon country could count on receiving the same treatment.

The EIB said yesterday there would be no constitutional block on loans to Comecon countries, once they had a formal co-operation agreement with the

EC. But it pointed out its lending last year outside the Community amounted to Ecu 700m (E455m), out of total EIB lending in 1988 of Ecu 10.2bn.

Mr Andriessen also sketched out to EC ministers yesterday the mandate which Brussels wants for the opening of negotiations with Moscow this year for an eventual EC-Soviet trade and economic co-operation accord.

The mandate, still to be agreed by EC governments, should in the Commission's view include co-operation on research into nuclear safety, as well as science and technology, an area that will be watched closely by the US for any sign of the EC breaching CoCom export security controls.

## Not all solidarity within the opposition

Polish voters witness dissent among the dissidents, writes Christopher Bobinski

MEET Jacek Kuron — he has something to say, about the past and the future of Poland. This means that for the Sejms election, there will be no direct clash between Government and Solidarity. In places, however, the authorities are discreetly

### Polish elections



backing non-party members against Solidarity to try to whittle away the movement's representation in the future parliament.

The 55-year-old Mr Kuron has the Solidarity machine and Lech Walesa's recommendation behind him, so he is likely to win. More people are coming to his meetings than to Mr Sila-Nowicki's.

Mr Sila-Nowicki was a prominent adviser to Lech Walesa in 1981 but failed to get a place on the movement's official list for parliament. He charges that Solidarity is becoming undemocratic and the issues being raised in his campaign could well re-emerge at a national congress Solidarity is due to have after the elections.

In these elections 65 per cent of the seats to the lower chamber, the Sejms, have been reserved for members of the Communist and other established parties while the rest

are open to the opposition for the first time since the 1940s.

This means that for the Sejms election, there will be no direct clash between Government and Solidarity. In places, however, the authorities are discreetly backing non-party members against Solidarity to try to whittle away the movement's representation in the future parliament.

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Solidarity union leader Lech Walesa gives a victory sign at an election campaign rally.

In his meetings Mr Sila-Nowicki makes no secret he is standing against Mr Kuron to give voters a clear political choice.

He says he wants the Solidarity leadership to take into account the views of its Christian Democrat wing.

"The group at the top of Solidarity is ignoring the movement's democratic ideals," he told a church meeting. And as for Mr Kuron, whom he praises for his opposition activities undertaken at the risk of prison, he cautions: "Anyone who has been in the Communist Party is inclined to use dishonourable methods to work for the right aim."

Mr Sila-Nowicki has always been a moderate, though now he argues the opportunities opened by reforms in the Soviet Union are not being fully utilised for change in Poland.

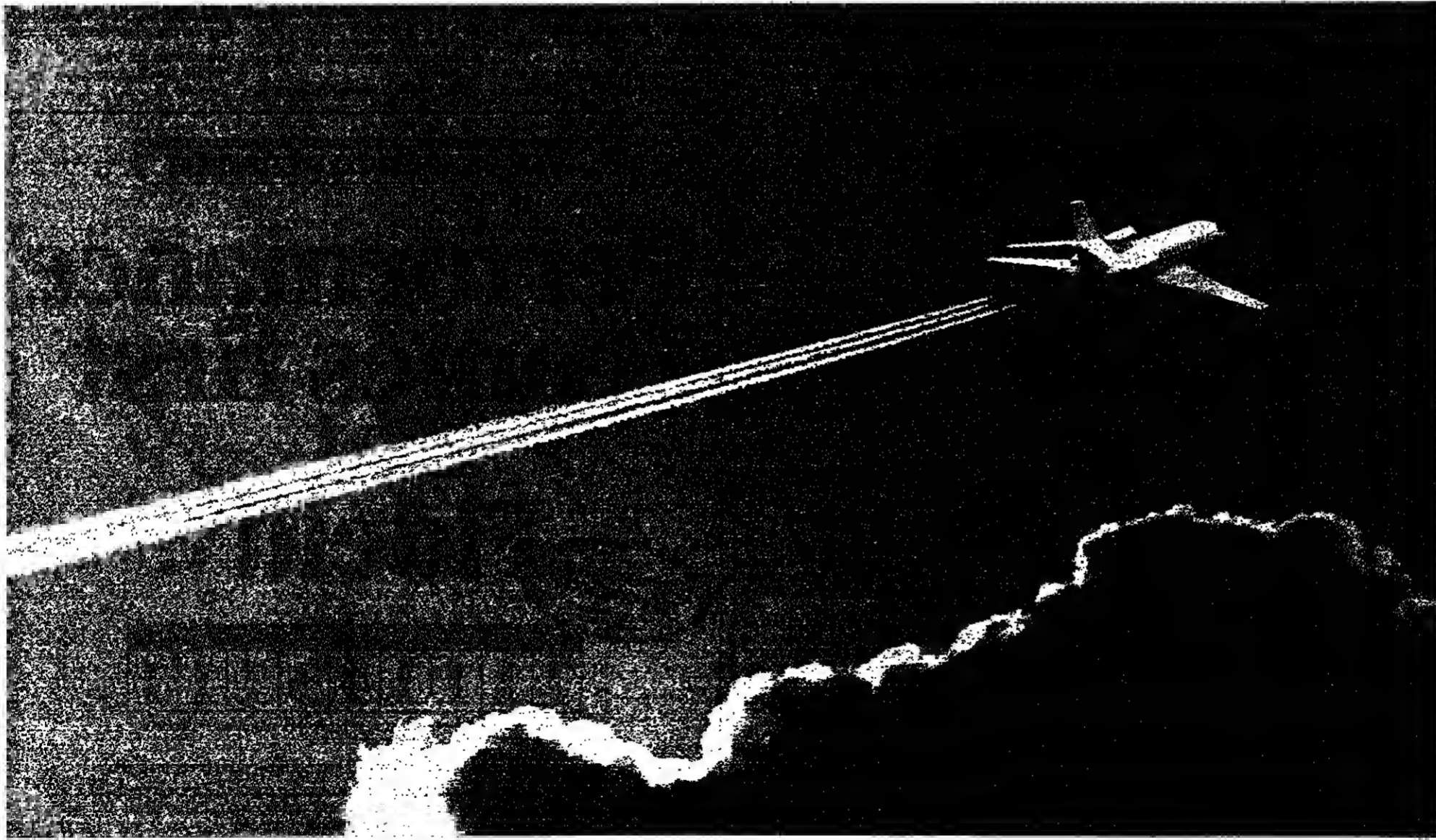
"In 1981 things were different. Then we were literally a hair's breadth from Soviet intervention," he said.

His campaign has gathered a coalition of those who resent being ignored by the present Solidarity establishment. There are Catholic working men active in their parishes as well as students from Catholic university groups and even some Solidarity radicals who are opposed to Lech Walesa's moderate policies.

Mr Kuron's team tend to be more liberal, more middle-class and the young people are trendier and quite evidently upwardly mobile, politically speaking.

Both campaign managers, heading teams of volunteers some 40 to 50 strong, are in their mid-20s. The authorities are not revealing their preferences in the Zolborz race.

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مكتبة لادن

EUROPEAN NEWS

# W Germany gives ground in missiles row with US

By David Goodhart and David Marsh in Bonn

THE West German government yesterday conceded a little more ground in the Nato dispute over short-range nuclear weapons (SNF), easing the path to a compromise at the Brussels summit.

Mr Hans Klein, the government spokesman, confirmed that Bonn now was prepared to wait for the actual implementation of agreements reached in the Vienna talks on conventional arms parity before expecting talks on reducing the numbers of short range nuclear weapons.

Chancellor Helmut Kohl later said he had sent a letter to President George Bush with latest West German suggestions. He will telephone Mr Bush in the next few days.

Previously the West German Government had insisted on "early" negotiations on short

range nuclear weapons - most of which are based on German soil - but last week it did finally accept a link between such talks and the Vienna conventional talks with the Warsaw Pact.

However, that link was initially split out very loosely, with Bonn suggesting that indications of progress in the main negotiations over tank numbers should be enough to trigger the start of the missile negotiations.

Yesterday it was confirmed that Bonn, under considerable pressure from Washington, is prepared to accept a much harder link with verifiable success in the tank and troop talks in Vienna.

One effect of the Bonn government's compromise in missile negotiations is to bury what had been virtually a

cross-party coalition on the German approach to East-West negotiations. Yesterday several Social Democrats strongly attacked the concessions.

Mr Egon Bahr, the SPD security expert, said that, on US insistence, talks on short-range missiles would now be delayed six or seven years. Mr Klaus Dietrich Genscher, the Foreign Minister, said last week however he believed much of the Vienna talks could be completed in two years.

Mr Oskar Rühle, the leading Christian Democrat security expert, said in newspaper interview that the German position - for no decision on modernisation of short-range weapons before 1992 and "early" negotiations to reduce their number - had always been "a starting point not an ultimatum".

# Britain concerned about weakening of 'special relationship'

By Lionel Barber in Washington

BRITISH officials are both irritated and perplexed by the Bush administration's shift towards brokering a compromise with West Germany in the Nato dispute over moderating short-range nuclear missiles.

British officials feel London's influence over the US administration has weakened since George Bush took over from Ronald Reagan, who enjoyed a close relationship with Mrs Margaret Thatcher. In the Nato dispute, their hard-line views have lately had little impact.

West Germany has called for early negotiations with the Soviet Union on reducing short-range nuclear missiles (SNF), and has persuaded the US to agree to delay a decision to produce and deploy a successor to the Lance missile until 1992. Britain opposes negotiations as a matter of principle and has pressed unsuccessfully for an early decision committing the alliance to a Lance missile replacement.

At a news conference on Sunday Mr Bush, flanked by President François Mitterrand of France, said he sided with the French on the need to resolve the dispute and cautioned: "There are strong-willed people from strong countries. But my role has been to try behind the scenes to be helpful for working this problem out."

This remark dismayed British officials who have been pressing Washington to act as a leader rather than a broker within the alliance. Privately, they single out Mr James Baker, the new US Secretary of State, as the culprit because of his propensity for prag-

matic deal-making at the expense of principle.

One bone of contention concerns language under negotiation between the Americans and the Germans about the development of a successor to Lance. The US wants the Nato communiqué to say the US government is doing "research and development on a national basis" on the new missile.

The Germans say this violates the principle of Nato as an international alliance of sovereign nations.

Separately, Mr Baker said on Saturday that the US had agreed that SNF negotiations could take place, but only under stiff conditions. These included "more progress with respect to the completion and implementation of a conventional forces agreement" with the Soviet Union.

The US argues that this means sometime in the distant future, but the British view is that merely by mentioning negotiations, Mr Baker has sold the pass - and abandoned the administration's earlier hard-line position.

It is too early to judge whether this Franco-American alliance on SNF will develop at the expense of what the British call the "special relationship" with Washington. Mr Bush went out of his way to say that the US was consulting the British on the SNF dispute, but he did not indicate he shared Mrs Thatcher's view that SNF negotiations would amount to the Soviets "going for Nato's jugular".

Indeed, there is some apprehension here that Mrs Thatcher will refuse to back the likely US-German compromise and take her opposition to the Nato summit next week.

# Cossiga sets Italy's well-used crisis machinery in motion

By John Wyles in Rome

PRESIDENT Francesco Cossiga's latest attempt to furnish Italy with a new government began in time-honoured fashion yesterday when two rather ancient but distinguished gentlemen were ushered into his frescoed office in the Quirinale Palace.

Each time a government falls or resigns, as did that of Christian Democrat Mr Ciriaco De Mita last Friday, and a crisis (crisis) formally begins, the Italian President is obliged to spend at least three days painstakingly consulting all of the institutions with a conceivable interest or role in its outcome.

But these formal contacts are merely the prelude to what can be, and in this case is likely to be, a very lengthy process. Later in the week, Mr Cossiga may invite Mr De Mita to try to form a new government, or he may have heard such opposition to the idea from potential coalition partners that he will commission a senior institutional figure such as Mr Giovanni Spadolini, the president of the Senate, to carry out his own exploratory consultations on who might rally a governing coalition.

The fact that the main parties will probably want to spin things out until after the European elections on June 18 none the less will not set any records for taking time. Mr Giulio Andreotti, the veteran Christian Democrat for all seasons who may yet be the next prime

minister, took office after a 121-day crisis in 1972 and bequeathed a 128 day crisis when his fifth government fell in 1979.

The wearisome consultation process always begins, as it did yesterday, with those former presidents of the Republic still extant, in this case 80-year-old Senator Giovanni Leone, who occupied the Quirinale from 1971 to 1978, and Senator Sandro Pertini, the 93-year-old who was Italy's first Socialist President from 1978 to 1985.

Such consultations - the eighth round since Mr Cossiga was elected President in 1985 - offer the retired heads of state an opportunity to recapture a few moments of public glory, with a television camera and microphone installed outside the exit from the presidential office. After his 10 minutes with Mr Cossiga, the frail Senator Pertini wished the journalists a good day, while Senator Leone vouchsafed that during his 30 minutes he had stressed the need for institutional and electoral reform.

Mr Spadolini marched into the Quirinale to have his say last evening, as did the president of the lower house of parliament, Ms Nilde Iotti. The party heavyweights, the Christian Democrats, the Socialists and the Communists, swing in with their views today, and by tomorrow evening Italy's quietly-spoken president will have lent an ear to fully 10 parliamentary groups.

# Moscow abandons threat to halt destruction of SS-23s

By Edward Mortimer in Moscow

THE SOVIET Government yesterday withdrew its threat to halt the destruction of SS-23 missiles, handed by the INF treaty. It also goes ahead with the replacement of the Lance short-range missile.

The threat, made 10 days ago by the Soviet Foreign Minister, Mr Eduard Shevardnadze, in Bonn, had been widely condemned in the West as a crude attempt to exacerbate divisions in Nato, and as casting doubt on the reliability of Soviet treaty commitments.

But yesterday Mr Gennadi Gerastimov, the chief Foreign Ministry spokesman, said at a press conference in Moscow: "It

goes without saying that the Soviet Union will implement the INF Treaty, including the SS-23s. He confirmed that this would apply regardless of Nato's decision about Lance, but said "if the US tries to deploy such missiles in Europe it will have to be discussed in the special control commission" set up to monitor implementation of the treaty.

One effect of the proposed "Lance 2" missile, which would have a range of 485 km (300 miles) was "nothing but an attempt to bypass" the treaty, which bans all nuclear missiles with ranges of 500-5,500 km. Mr Gerastimov said the SS-

23s had actually been tested at a range of under 500 km and were "technically very similar" to the proposed Lance 2. Yet, he claimed, the US had insisted on including the SS-23s in the treaty "to improve the effectiveness of the document", and the Soviet Union had agreed to this, "proceeding on the assumption that neither side will produce or deploy" missiles of this type.

It remains unclear why the Soviet Union is putting such emphasis on the Lance issue, given that Nato governments have already agreed to postpone a decision in deference to West German objections.

At a news conference on Sunday Mr Bush, flanked by President François Mitterrand of France, said he sided with the French on the need to resolve the dispute and cautioned: "There are strong-willed people from strong countries. But my role has been to try behind the scenes to be helpful for working this problem out."

This remark dismayed British officials who have been pressing Washington to act as a leader rather than a broker within the alliance. Privately, they single out Mr James Baker, the new US Secretary of State, as the culprit because of his propensity for prag-

# Communists snub Papandreou

By Adriana Ierodiakonou in Athens

IN A decision which could affect the outcome of the Greek general elections on June 18, the opposition Communists yesterday rejected the possibility of a government coalition with the ruling Socialist Party (Pasok) as long as it remained under the leadership of the Prime Minister, Mr Andreas Papandreou.

"A progressive democratic government cannot include persons implicated in financial scandals in terms of either penal or political responsibility," a Communist announcement said, in an indirect but succinct reference to the scandal involving former banker

and press baron Mr George Koskotas.

The scandal, which erupted last October, has implicated a number of senior Socialists, including the Premier, and caused a slump in Pasok's voter support.

The decision terminated days of sharp debate in the Communist ranks over the terms and conditions of a possible coalition with Pasok. Although the opposition Communists are ahead in opinion polls, the vagaries of the Greek electoral system may prevent them winning an absolute majority of seats in the 300-member parliament.

In such an event it was considered likely that the Socialists and the Communists, running second and third respectively, would attempt an alliance. By making the departure of Mr Papandreou a condition, however, the Communists have narrowed the possibilities for setting up a viable post-election coalition.

It is generally held that despite a sharp drop in personal popularity in recent months, Mr Papandreou remains the sole figure capable of holding together the diverse factions making up Pasok, and that the party would probably fragment on his departure.

# Compromise on EC language teaching

By William Dawkins in Brussels

EUROPEAN Governments yesterday declared a truce over a controversial plan to boost foreign language teaching, the source of the latest row between Britain and the European Commission.

A meeting of EC Health Ministers gave their unanimous approval to spend Ecu200m (£130m) over the next five years to help students go abroad to learn foreign languages, a scaled-down version of a European Commission proposal for an Ecu250m scheme. Britain, backed by West Germany, had refused to accept parts of the plan, titled Lingua, on the grounds that the Commission has the power to intervene only in vocational training and higher education, not in schools policy.

But they supported a compromise drafted by Mr Francisco Fernandez-Ordóñez, the Spanish Minister chairing the session, which allowed governments to exclude school-age pupils from Lingua.

However, the success of the deal was immediately thrown into question when Mr Kenneth Clark, the UK Education Secretary and European Commission officials gave conflicting interpretations of the accord. Mr Clark maintained

that the scheme was limited "to all above-16 and post-compulsory education. It cannot be applied in schools". He said: "The wording is absolutely clear." He greeted the decision as "a victory for common sense".

A spokesman for Ms Vasso Papandreou, the Social Affairs Commissioner, insisted - by contrast - that it was up to individual member states to define the scope of the scheme and narrow or widen it to higher-education students or those above 16 years if they wished.

He argued that the scope of the scheme had to be flexibly defined to take account of the needs of Belgium, where education is compulsory until 18, and Ireland and Luxembourg, where it lasts only until 15. Belgium was represented by three ministers, one for the state and two for its French and Flemish communities.

National officials warned that Britain's objections to the Commission's attempts to extend its education policies could easily be re-opened if Brussels tried to build too much flexibility into the operation of the scheme. Member states are due to reassess the plan after two years.

# Airbus to stretch A320 airliner

By Lynon McLain

AIRBUS Industrie, the European aircraft maker, is to offer a stretched version of its Airbus A320 airliner, to carry more passengers.

The A320 twin jet airliner currently carries between 138 and 179 passengers over a range of up to 3,000 miles. It is one of the most successful airliners made by Airbus Industrie, with firm orders for 406 aircraft from 25 customers.

On Saturday the supervisory board of Airbus Industrie authorised the management of the group to enter firm commercial negotiations with potential customers of the stretched version of the A320.

The stretched version would offer 200 passenger seats in an all-economy-class layout, or 126 seats in a typical two-class layout.

The stretching will involve the structural reinforcement of existing sections of the airliner, a modified wing trailing edge, uprated landing gear and extra emergency exits.

The engines for the stretched A320 will be developments of the Franco-US CFM56 engines and the International Aero Engines V2500 that power the existing airliner.

# Portuguese unions upset at inflation

Portuguese unions want a new social contract because of damage to wages by soaring inflation, Diana Smith writes from Lisbon.

Following news that April inflation leapt by 0.8 points to an annual 15.3 per cent - the worst in three years - criticism has swelled against Mr Anibal Cavaco's Silva Social Democrat government for letting prices rise while wage rises below the inflation rate shrink public-sector pay.

Civil servants plan mass action next month.

The vigorous 15 per cent growth of investment last year conspired with overheated consumption (up 6.5 per cent), voracious public-sector financing needs of 10 per cent of GDP, and escalating imports to heat up inflation after two years' cooling.

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OVERSEAS NEWS

India makes 'long-range' missile test launch

By K.K.Sharma  
in New Delhi

AFTER TWO abortive attempts in the past four weeks, India yesterday successfully made a test launch of what it described as a "long-range guided missile". The controversial test gives the country the capability to launch nuclear and chemical warheads.

Mr Rajiv Gandhi, India's Prime Minister, later issued a statement denying the missile, code-named Agni (fire), was a nuclear weapons system, but said it gave the country the option of "developing the ability to deliver non-nuclear weapons with high precision at long ranges".

Neither Mr Gandhi nor the Ministry of Defence gave details of where the missile landed in the Bay of Bengal but it is significant it is now being described as "long range". Formerly it had been referred to as a missile of "intermediate" range. Some defence experts said its range was around 2,500km.

The test has been criticised in the West because a missile like the Agni cannot be delivered with pinpoint accuracy and thus is more likely to be used for delivering nuclear or chemical weapons. Western countries, notably the US, have been opposing efforts by various Third World countries to develop such missiles.

The anti-nuclear lobby in the US has started sanctions moves against India, but defence analysts say there is not much the Administration can do about India's new capability. Among countries that have similar missiles are China, Pakistan, Israel, Saudi Arabia and some Latin American countries.

The Defence Ministry said the test was part of efforts to develop missile technology under an integrated guided missile development programme launched in 1983. The technologies tested in what is called a "research and development vehicle" are in the areas of multi-stage propulsion, closed loop guidance and control, re-entry and terminal guidance.

The widely-publicised test was made at a special site at Chandipur-at-sea in the eastern state of Orissa. The missile followed a pre-determined flight path and fell into the designated area in the Bay of Bengal.

Agni is a two-stage missile developed at the Defence Research and Development Laboratory at Hyderabad. Experts said that given the overlap between satellite launch rockets already developed by India and long-range missiles, it is likely that several propulsion technologies developed in the country's space programme were used for the missile.

Tanzania calls for ivory ban

TANZANIA, following a lead set by neighbouring Kenya two weeks ago, has called for a global ban on the ivory trade, officials said yesterday, reports Reuters.

Over the past 10 years, poaching has halved Tanzania's elephant herd to 100,000 while Kenya's elephant population has also slumped.

"I would like to witness a situation whereby all countries in the world enact laws banning all dealing in ivory," President Ali Hassan Mwinyi said after talks with Prince Bernhard of the Netherlands.

The queues that lead to hunger in Zambia

Nicholas Woodsworth looks at cautious moves in Lusaka away from food subsidies

Zambians and Russians share a common way of life. A Soviet diplomat joked recently: "Zambians don't trudge about in fur hats in the snow, and they prefer maize beer to vodka. But like us, they know all about queuing."

In years of average food production, according to the World Bank, 48 per cent of Zambians lack access to a secure supply of food - a figure even higher than in famine-plagued Ethiopia - where it stands at 46 per cent.

Children are particularly vulnerable. A 1987 Unicef study conducted at Lusaka's University Teaching Hospital revealed that of the 430 children admitted there during a one week period, 60 per cent of the more than 100 who died did so through malnutrition. Zambian health authorities recently acknowledged that many infant diarrhoea-related deaths might be easily prevented if hospitals were able to obtain the sugar necessary for the preparation of oral rehydration salts.

But sugar, like maize meal, cooking oil, bread, and other essential foodstuffs remains in short supply, despite efforts by government to control food distribution - these include the 1988 nationalisation of 200



For the moment at least power in China is not coming from the barrel of a gun. Soldiers seated on the ground guard Communist party headquarters in Peking from student protesters.

Contrasting styles of rivals in Peking struggle

By Steven Butler

LI PENG became China's Prime Minister in 1987 as a direct result of the sacking of Yin Yao-qing, the liberal Communist Party general secretary, whose death a month ago triggered the pro-democracy student demonstrations that have put the Chinese leadership in crisis.

Zhao Ziyang, the current party general secretary who replaced the liberal Yin, yielded his government portfolio to Li, yet the political styles of the two men, who have apparently become rivals, are very different.

Although, at 69 years old, Zhao is younger than the octa-

genarians who led the Chinese revolution, he was none the less a full adult participant in the revolutionary struggle, and emerged in the 1950s as a talented administrator and party official, occasionally holding political positions in the military.

His reformist stripes were indelibly painted on during the 1960s, when he became first party secretary of the southern province of Guangdong, only to be sacked in the Cultural Revolution. Yet he returned to Guangdong in the next decade, and moved on to Sichuan in 1976. The liberalising reforms which he experi-

enced in both provinces proved such an enormous success that he was promoted to the post of Prime Minister in 1980.

There, under the tutelage of elder statesman Deng Xiaoping, Zhao implemented a range of radical market-oriented reforms that brought a boom to the countryside and boosted the availability of consumer goods in China's cities.

By comparison, Li Peng's background is technical and narrow, but Li was born with the communist equivalent of a silver spoon in his mouth. He is widely believed to be the adopted son of Zhou En-lai, China's popular prime minis-

ter for 27 years until his death in 1976.

Li studied in the Soviet Union as a power engineer rising through a series of technical posts to become minister of the power industry in 1981. Ignoring his rich family connections, he was an unlikely candidate for prime minister in 1987. He has since approached the job with the instincts of a technocrat, looking for control and stability, and skilled at bureaucratic fighting, but showing none of the creative flair which Zhao occasionally displayed.

Indeed, it was after Li's appointment that the Chinese experience with reform began to go sour, with inflation zooming out of control along with rampant corruption. Zhao, who never completely let go his grasp on the economy, may be as much responsible for this as Li, who never showed much leadership.

Their current struggle is laden with irony. Li's most outstanding initiative in a bland career was Saturday's declaration of martial law, which appears increasingly inept. Yet Zhao, never known as a political liberal, has suddenly inherited this mantle and become the hero of sorts after opposing martial law.

Tokyo police in crackdown on racketeers

By Stefan Wagstyl in Tokyo

JAPANESE POLICE yesterday announced a crackdown on *sokaiya*, racketeers who extract bribes from companies by threatening to disrupt annual meetings.

A special bureau is being established at the Tokyo Metropolitan Police Department, which is responsible for policing meetings in the capital.

Police hope the establishment of the bureau will act as a warning to companies before the peak season for annual meetings next month, when 760 meetings are due in Tokyo alone. Of these 690 will be held on the same day, June 29, when 2,400 police will be on guard to deter racketeers.

The National Police Agency said yesterday the number of racketeers had fallen - from above 5,000 in the early 1980s to 1,333 known individuals at the end of last year. But *yakuza*, criminal gangs, were becoming involved, increasing the possibility *sokaiya* might resort to blackmail. The police estimated the list of known *sokaiya* included some 420, *yakuza* criminals against 50 a year ago.

Police have slowly been winning a war of attrition against the *sokaiya* since the law made pay-offs illegal in 1982. However, they have been hampered by the fact that companies are loath to disclose they have been approached by *sokaiya* for fear of revenge attacks.

The police believe many companies continue to make payments, sometimes disguised as fees paid for spurious services such as leasing potted plants or subscriptions to magazines. *Sokaiya* have been getting more skilful, the police said yesterday.

So arrests have been far between. In comparison with the number of people allegedly involved in racketeering, last year there were 26 arrests in 18 separate cases, including one involving Parco, a leading department store. Two Parco executives were

jailed for five months each for making payments and two *sokaiya* for six months each. Mr Tsuji Masuda, the Parco chairman, resigned over the affair.

This weekend, in the first arrests this year, three executives of Fuji Fire and Marine Insurance, one of Japan's largest insurance companies, were taken into custody by police on allegations of paying a total of 760,000 (2,679) to a man so that he would not disrupt meetings held in 1987 and 1988.

They were arrested when the man, who was already being held by police on other extortion charges, confessed.

THE South African government proposed an amendment to the constitution yesterday to allow the appointment of blacks to the cabinet.

South Africa's 26m blacks have no vote at national level. Nor have they elected representatives to the central government and they are also barred from becoming cabinet ministers.

The bill proposed by outgoing Minister of Constitutional Development Chris Hennis proposes that the President should have the authority to nominate a black cabinet minister at his own discretion.

But Allan Hendrickse, leader of the Coloured (mixed-race) Labour Party, said he would block the bill because it sought to entrench restrictions on black political involvement at national level.

"How can we support the appointment of certain blacks to the cabinet when the ordinary black citizen does not have full rights," Hendrickse said at a joint sitting of the segregated white, Coloured and Indian chambers of parliament.

Hendrickse, who was South Africa's first non-white cabinet minister from 1985 until President Botha fired him in 1987, said one or two blacks in the cabinet would be overwhelmed by the white bloc of National Party members.

Artificially low consumer prices against Zambia's vast system of state-owned companies are unable to realise the profits necessary to plough back into their operations to keep them profitable. Without the capital necessary to purchase raw materials, buy spare parts, or replace aging equipment, many factories in Zambia are running at less than 25 per cent capacity.

The resulting delays and shortfalls in production lead to consumer anxiety and panic buying. A huge black market has developed as a consequence - stocks bought by black marketers at subsidised prices leave the shelves of state shops empty for weeks at a time, while on the sidewalks outside, these same goods are being sold at up to 400 per cent mark-ups.

Price distortions also lead to huge problems in strategic food stocks and distribution. The prices charged to consumers of such staples as maize, have been less than those paid to the farmers who produce them. As a consequence farmers have found it profitable to sell their entire harvests and then later buy back meal at low prices for their own consumption. With shortages in

the cities, this food does not always find its way back to the cities.

No relief is in sight. Following a disagreement on the need for the removal of subsidies and a more realistic exchange rate, the IMF terminated a Zambian structural adjustment support programme. With an ever steeper decline in its economy since then, the Zambian government has been forced to recognise the need for a change in its subsidisation policy. Its Fourth National Development Plan (1989-93) calls for the gradual removal of food subsidies and a greater concentration on long-neglected agriculture.

President Kenneth Kaunda, however, can only move with a more normal commercial standing. This would almost certainly allow for at least a measure of foreign investment in the banks. However, without voting rights the shares are decidedly unattractive, so the obvious way is to equalise the voting rights and then sell the shares. But that entails first nationalising the banks - which all parties say they want to avoid.

The issue originated in a crash in bank shares on the Tel Aviv stock exchange in 1983. The government, faced

with the collapse of the banking system, stepped in to take over the burden of the stock, but left control in the hands of the owners.

As a result, the labour federation Histadrut controls 50.1 per cent of the voting rights of the highest banking group, Bank Hapoalim, with just 0.1 per cent of the equity. The Jewish Colonial Trust holds 2 per cent of the equity of the second largest bank, Bank Leumi, but has 78.5 per cent of the voting rights.

Legislation to equalise voting rights is before parliament, and Mr Peres has been urged by some in the Bank of Israel, the central bank, and by Mr Adi Amoral, chief of the agency which will have the job of disposing of the shares, to offer the bank controllers no more than one or two per cent in equity in compensation for such a change.

Other officials, and not surprisingly, the bank owners themselves, favour a scheme which would allow an existing controllers first refusal on a significant chunk of equity, or a similar opportunity to stay in control after voting equalisation.

Whichever course is taken, government officials agree that they want to establish "core" holdings in the banks of about 25 per cent by private placement before any public issue of the balance of the shares.

They also want to see foreign investors - in the form of banks, corporations or private individuals - play a part. They are prepared to allow one of the big four banks - Hapoalim, Leumi, Bank Mizrahi and Israeli Discount Bank - to come under foreign control, though many politicians are not so keen.

The process will be a lengthy one, however. The intention is to sell the banks one by one, starting with the most saleable, generally reckoned to be IDB, presently controlled by the Recanat family, or Bank Iqud, a profitable Leumi subsidiary.

On the question of how to avoid state control during the interim the options are either to set up an elaborate arms-length system of appointing bank directors or delay implementation of voting equality until the placement of shares has been agreed. The latter course would probably include some of its votes temporarily to the core owner to allow them time to build up their equity stake.

Haggling over the price will be another tricky issue. But even at this early stage, government officials admit they will be lucky to realise more than one third of the 77bn the government has laid out on rescuing the banks.

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in his rejection of the Israeli plan. He said the PLO was already qualified to start negotiations on behalf of the Palestinians.

"We are ready to discuss the question of elections in the international conference," he said. "We are not willing to accept the idea that there is no representation for the Palestinian people and that the representation will come after the elections. There is representation... The whole world is not recognising ghosts. The PLO is recognised as a state by more than 80 countries."

The memorandum urges the US to explain its views on Palestinian political rights and on a possible PLO-Israeli dialogue ahead of any international conference.

PLO leaders are hoping for united diplomatic and financial support from the two-day Arab summit, which includes Egypt for the first time since it signed a peace treaty with Israel 10 years ago. Negotiations were under way yesterday to reconcile the ideas of the PLO and those of Syria, which is suspicious of Mr Arafat's recent compromises and worried that he may eventually leave the Golan Heights - captured in 1967 - in Israeli hands.

Some Western countries see the Israeli plan as a starting point for peace talks, and they point out that Mr Shamir had asked alienating right-wingers with his proposals for electing Palestinian negotiators in the West Bank and Gaza Strip.

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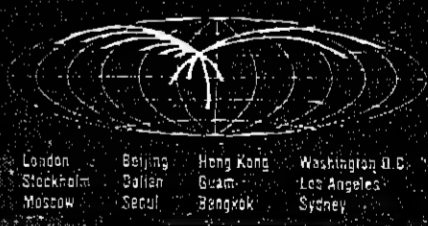
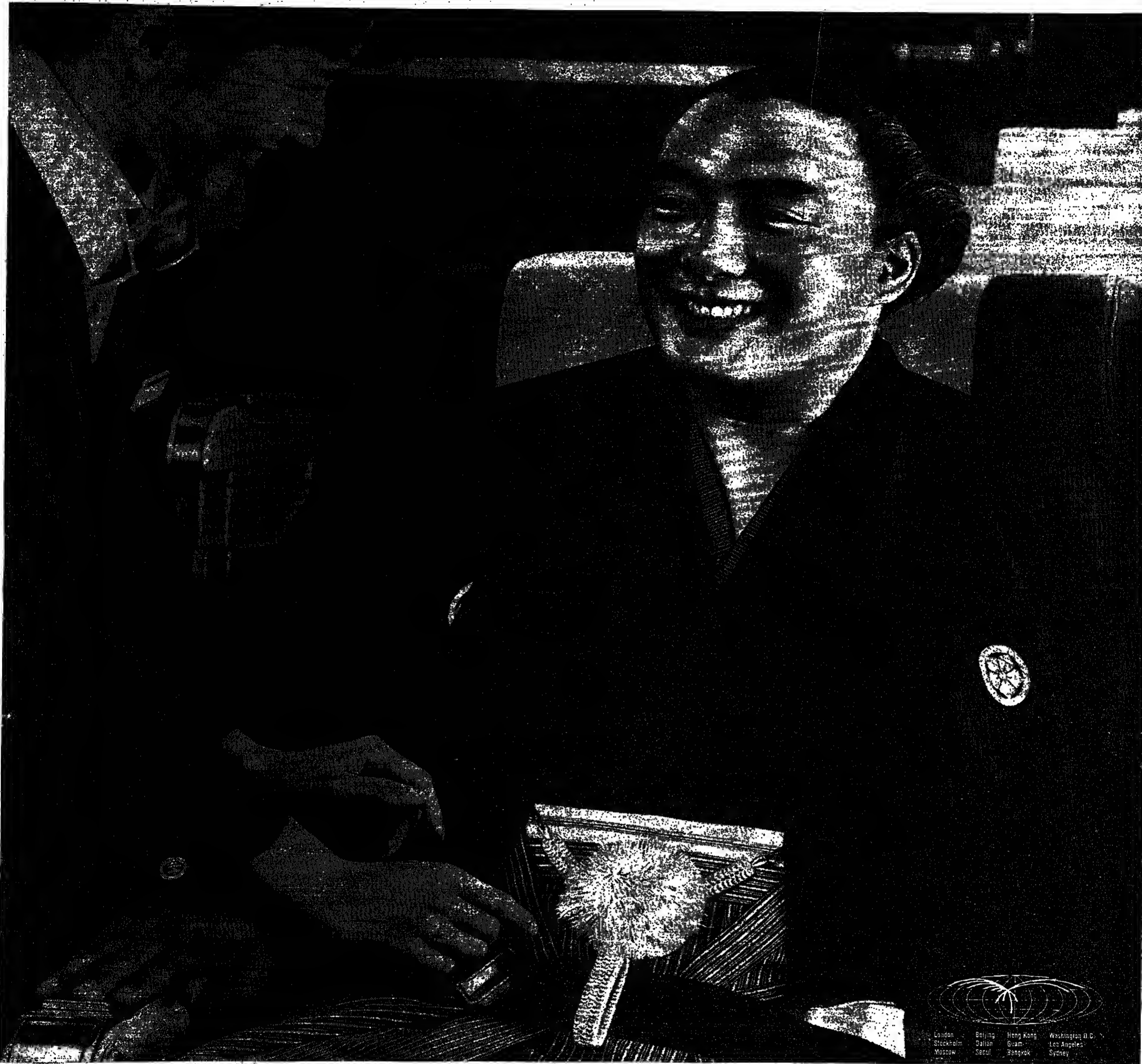
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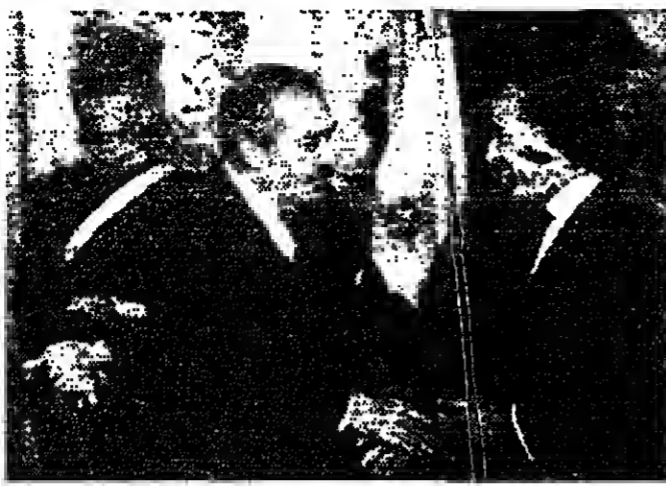
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AMERICAN NEWS

President-elect Menem moves nearer to power  
**Alfonsín agrees to early handover**

By Gary Mead in Buenos Aires

ARGENTINA'S President Raúl Alfonsín has agreed in principle that Mr Carlos Menem, the Peronist president-elect, must take over before December 10, the date constitutionally fixed for the handover. "In the context of a severe economic crisis the transition period is exaggeratedly long," said President Alfonsín late on Sunday evening.



President Alfonsín (left) with Carlos Menem

However, no specific date has been agreed for the transition of power. Mr Menem, of the Peronist party, was elected Argentina's new president on May 14, with a 10 per cent majority over his nearest rival, from the Radical party. Last week, Argentina's economic crisis sharpened and speculation grew that an early transfer of power would take place, despite denials from both Mr Menem and President Alfonsín's office.

Mr Menem last week repeatedly denied that he was interested in taking office before December. At the start of this month the President stated that, whatever the presidential election result, he would see through his mandate and leave at the designated date.

Mr Menem arrived in Buenos Aires yesterday from his home of La Rioja to discuss the deli-

cate political and economic situation with advisers.

He said on arrival that he would give no support to the new economic measures of Mr Juan Carlos Pugliese, the present Economy Minister, who is thought to be planning a return to a dual exchange rate. Mr Eduardo Menem, the influential elder brother of Mr Carlos Menem and a Peronist senator, yesterday morning dismissed the possibility of a transfer of presidency "before two months" had elapsed. "All

parties and sectors of the nation must be in agreement with the advancement of the date; that way we avoid having any legal challenges later," he added.

Since his election victory, Mr Menem has been under considerable pressure from both Peronist and Radical politicians to form a transition pact under the continued presidency of Mr Alfonsín, which would be limited to agreeing a set of emergency economic measures designed to combat hyper-infla-

tion and the near-bankruptcy of the state.

That option was last week firmly ruled out by Mr Menem and a number of his closest advisers, who are reluctant to participate in such measures without having full control over government.

The weekend saw a flurry of contacts between Peronist and Radical politicians, which resulted both in President Alfonsín's statement and the resignation of three senior economic officials of his government.

Mr Roberto Elbaum, central bank vice-president, Mr Mario Vicens, in charge of Economic Co-ordination, and Mr Pablo Gerchunoff, chief adviser in the Economy Ministry, all left, apparently as a result of pressure from Peronist politicians working on behalf of Mr Menem.

At the same time Mr Pugliese, announced an emergency bank and exchange holiday for yesterday, which was likely to be extended into today and perhaps further into the week.

The imposition of the bank holiday has postponed one element of the economic crisis, the government's need to pay off \$250m worth of treasury bonds due to have matured yesterday.

**Brazil's dark horse leads opinion polls**

By Ivo Dawson in Brasília

MR Fernando Collor de Mello, the crusading young governor of a tiny Brazilian state, has astonished pundits by stretching his opinion poll lead in the presidential race - and now has more than twice as much support as his nearest opponent.

A survey shows that if voting took place today, Mr Collor, who sprang to national fame only two years ago for his attacks on corruption and civil service privileges, would win 32 per cent of the vote in an 11-candidate race.

His nearest rival, Mr Leonel Brizola, the veteran left-wing populist, has slipped back to 15 per cent, while Mr Luis Inácio Lula da Silva, another socialist, has dropped to 11 per cent.

All the other centre and right-wing candidates won less

than 8 per cent of the poll. While voting by 80m electors in the first free presidential election for 29 years is still six months away, the monthly findings have shown Mr Collor making steady gains at the expense of both left and right.

The poll - drawn from a 2,750 sample in more than 100 cities - shows that the government of the impoverished north-eastern state of Alagoas is not, as many predicted, a mere seven-day wonder.

Its May findings, published yesterday, demonstrated remarkably consistent support across all five of Brazil's regions, rising to 47 per cent in the centre-west against a low of 29 per cent in the south-east.

Some political analysts who had written him off are now talking of a bandwagon effect

that could give Mr Collor an outright victory on November 15. Brazil's elections are now based on the French model, with a first round, followed by a play-off between the two front runners if neither achieves an absolute majority.

Yesterday's poll shows that Mr Collor would trounce either of his nearest contenders in the second round.

The Collor phenomenon is all the more remarkable for his lack of any grass roots party organisation or mainstream support. His backing comes as a result of his highly publicised campaign to boot out the so-called Maharajahs - highly paid but underworked civil servants - from his state administration.

His early and total opposition to the deeply unpopular

government of President José Sarney when others were ambivalent has also helped, as has his youth.

Critics of the governor claim he is a single-issue politician with no programme - a closet conservative and playboy opportunist only adept at climbing fashionable band wagons.

However, rival party strategists are aware that in attacking what is widely perceived to be a corrupt and privileged political and bureaucratic elite, Mr Collor has struck of seam of electoral gold.

As the candidate for those who hate politicians - a substantial constituency in contemporary Brazil - Mr Collor has built a platform that it will be hard for many of the old guard now contesting the presidency to join.

Panama's ruling party hits at OAS delegation

PANAMA'S ruling party accused the Organisation of American States of interfering in the country's internal affairs yesterday, a day before an OAS team seeking a way out of the political crisis was due to arrive. Reuters reports from Panama City.

The Democratic Revolutionary party said the OAS, which last week condemned Panamanian military strongman General Manuel Antonio Noriega for abusing May 7 elections, had violated its charter by intervening in the internal affairs of a member state.

"The Organisation of American States cannot impose criteria on us from outside, nor does it have the authority to resolve any difference that may exist between a nation," the party's National Executive Committee said.

It said the OAS delegation could act only as distinguished Latin Americans seeking agreement between Panamanians and not as mediators.

Local newspapers also quoted acting President Manuel Solís Palma as telling a Mexican newspaper at the weekend that the OAS mission had already made up its mind on the crisis and would recommend that the OAS isolate Noriega.

Opposition vice-presidential candidate Mr Ricardo Arias Calderón said at the weekend that the mission had the specific task of seeking a transfer of power.

"That means recognition of (the election of) May 7 and that Noriega should go," he said. "If Noriega did not go, the OAS should place him in a strict diplomatic and political quarantine."

Opposition leaders yesterday continued their campaign-style tours of Panama City, visiting factories and shaking hands.

The leaders, tailed for much of the tour by a police van, say they are trying to rebuild people's spirits after violence which followed the elections.

Between Yanqui-hatred and love of the dollar

THE Organisation of American States has a monumental task to achieve by June 6. It has to help negotiate in Panama "a transfer of power in the shortest possible time".

Between the lines of the official OAS declaration, issued last week, can be read "...and the removal of General Manuel Antonio Noriega from power".

A high-level OAS delegation, including its secretary general, Mr José Baena Soares, arrives in Panama today already knowing that the negotiating positions inside the country are irreconcilable.

Mr Rigoberto Parades, a leader of the ruling PRD party in Panama and a close associate of Gen Noriega, said last week: "General Noriega is not negotiable".

Leaders of the ADOC opposition, who had their independence stolen from them by the government after the election on May 7, have said that "a reconciliation is inconceivable without the removal of Gen Noriega".

In case a snub from Gen Noriega awaits the OAS negotiators, the US navy ship, *Bellatrix* last week completed preparations for an alternative US strategy. Blocking a lock in the canal for eight hours, it disgorged a stream of almost 200 armoured military vehicles. They proceeded to charge up the nearby steep grassy hills of the lockside before disappearing over a nearby hill to await further orders.

The vehicles belong to a mechanised infantry battalion sent to reinforce the 10,000 US Southern Command troops based in Panama. This overt display of US military might in the canal that is due to be handed over to Panama at the turn of the century, was designed to impress upon Gen Noriega that US treaty rights are still in force and will be so until December 31, 1999. One slip by him - and the military option might be used.

But what happens after 1999 is, it may be argued, what the present Panamanian crisis is all about.

Gen Noriega claims that the US wants a pliable Panamanian government in power to negotiate a continuation of the US military bases in Panama beyond 1999. He intends to remove them.

The Organisation of American States delegation due today in Panama finds itself caught up in a wave of regional populism that will make its task of resolving the crisis there nigh impossible, writes Tim Coone

The US claims it intends to pull out as agreed in 1999. The US Congress, however, inserted a paragraph in the Canal Treaty of 1977 during its ratification procedure creating the opening for a negotiated extension of the US military presence beyond 1999.

This ambiguity has helped to graft a complex blend of nationalism, anti-imperialism and populism onto the corruption and latent fascism within the ranks of Gen Noriega's cohorts.

On the basis of "my enemy's enemy is my friend", communists and socialists have joined ranks with right-wingers to back the general, regardless of his past as a long-time agent of the US Central Intelligence Agency and alleged links to organised crime.

The Latin American left sees the removal of US bases in Panama in the year 1999 as a "strategic denial" of jump-off points for US military intervention on the continent.

Right-wing nationalists such as Chile's General Augusto Pinochet have a similar point of view. It is useless to argue the fact that the US has never made a direct military intervention in any country south of Panama this century; the answer is always "but there could be in the next century".

Such strategic overviews and US meddling in Panamanian politics create the Panamanian Government's self-justification for electoral fraud and violent repression of the opposition. Hoping to undercut the OAS, Gen Noriega is appealing to nationalists, elsewhere, on the

continent. The controversial retired General Frank Vargas of Ecuador claims to have raised 1,500 volunteers in his own country and is recruiting more to fight alongside Gen Noriega should he require them.

The failure of Gen Noriega to strike a chord with the majority of his fellow Panamanians, however, has perhaps more to do with their self-interest than with some sort of regional nationalism.

The US military presence in Panama generates a gross income to its economy of \$300m a year, equivalent to 5 per cent of gross domestic product. Not only will Panama lose this in the year 2000, it will have the additional burden of having to finance expanded Panamanian Defence Forces (PDF) to defend the Canal.

The present crisis has reduced Panama's GDP by 20-35 per cent in the past year and slashed government income by 80 per cent, mostly through the impact of US government sanctions.

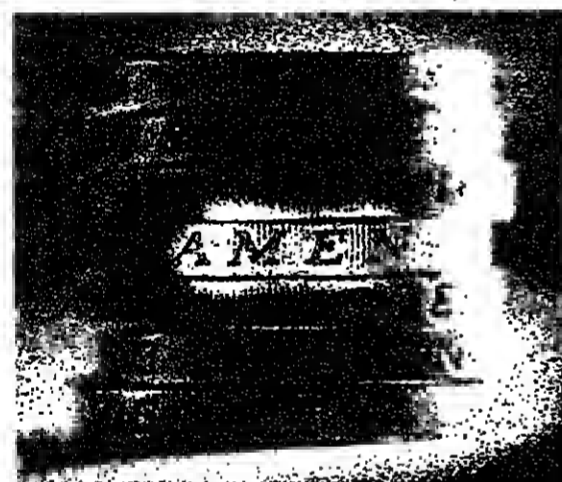
Economists argue that the present recession is quickly reversible should the political crisis be resolved soon. If it is not, one leading Panamanian banker said, "long-term damage will occur to the country's infrastructure within six months to a year due to bankruptcies, especially in the construction industry."

The foreign military and business community has been an important demand factor in the real estate market and construction industry as well as in the services sector. Without these influences there is little prospect of economic recovery on the horizon.

A number of foreign banks were awaiting the outcome of the elections to make a decision whether to stay in Panama. Most had already begun running down their loan portfolios, a process that will be accelerated if the OAS fails.

A strong possibility exists that Gen Noriega may still prefer to stand and fight in spite of the consequences for Panama, rather than face an uncertain, and possibly dangerous life in exile.

As one European banker commented: "He will leave power when Panama is no longer good for him, not when he is no longer good for Panama."



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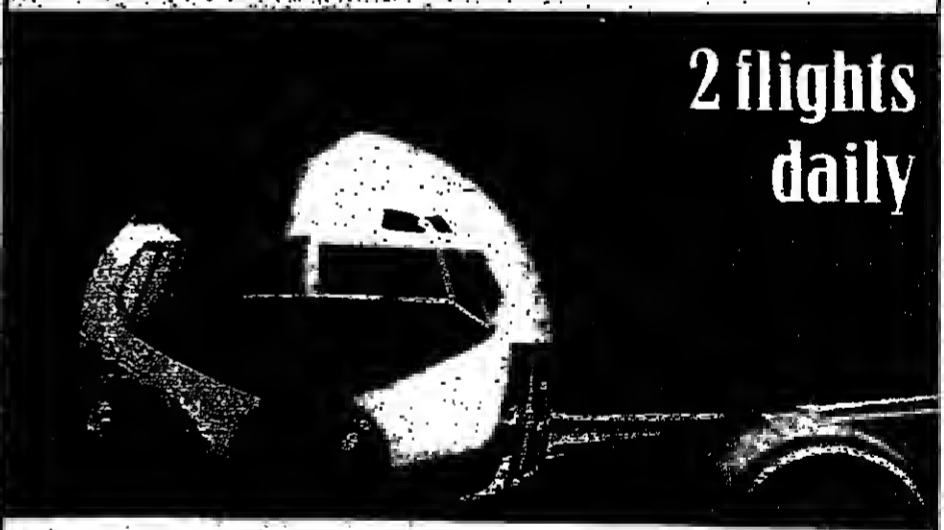
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WORLD TRADE NEWS

# S Korea reaches agreements with US on trading

By Nancy Dunne in Washington

SOUTH KOREA has signed three agreements with the US - promising to eliminate key import barriers and liberalise foreign investment - to avoid being singled out as an unfair trader under the Super 301 section of the new US trade law.

Mrs Carla Hills, US Trade Representative, whose office used the threat of action under Super 301 as leverage in the negotiations, said: "These agreements create a useful precedent for the Uruguay Round and bilateral negotiations which will strengthen the global trading system."

Seoul has agreed to open its market fully to foreign travel, advertising agencies and wholesalers of pharmaceuticals and cosmetics.

Pharmaceutical companies will no longer have to make

their products in Korea, and regulations regarding "burdensome" clinical testing of foreign pharmaceutical products in Korea have been indefinitely suspended.

South Korea will also begin opening its market to agricultural imports, committing itself to remove restrictions on 70 out of 140 products, including poultry parts, fresh fruits, nuts, and soyabean oil.

These restrictions will be removed in three stages. The quota on orange juice will be increased from 9,000 to 15,000 tonnes.

Under the investment agreement, South Korea will remove the performance requirements on foreign investors.

Instead of a screening system, there will be a simple notification procedure for most foreign investments.

# Contesting the point at which trade becomes aid

Peter Montagnon on the debate behind negotiations on how to limit the sweetening of export credits

THE PROBLEM of concessional lending was not one that could be solved. It simply had to be managed to keep it within reasonable limits.

This was the reaction of one weary export credit official last week as he contemplated the prospect of yet another round of negotiations in the Organisation for Economic Co-operation and Development to curb the rampant practice of mixing export credits with aid.

Just two years after the last round, Canada and the US are pressing for a new one designed to reduce what many perceive as the distortion to both trade and aid flows which results from sweetening export credits in this way. They are trying to get industrial country trade and finance ministers to launch a new set of negotiations at their meeting in the OECD later this month so that a package of new rules can be ready 12 months from now.

Whether they will succeed in the short run is a moot point. Their plan is meeting resistance from other countries that feel it is too early to embark on another review, but even some

of these admit that the time is not too far off when the simple pressure of cost will force a fresh international look at the whole business of subsidised export credits.

The background to the Canadian and US initiative owes something to both domestic budget pressures and to broader international concerns.

The US Export-Import Bank is once again under attack from free marketeers in Washington whose overriding concern is to prune the federal budget by reducing subsidies of all kinds. Suddenly Canada, too, has been forced to focus on the issue. It has found itself in the curious position of shelving its C860n submarine programme for budgetary reasons while increasing sharply its concessional loan allocations because of prior commitments.

An international agreement to curb mixed credits would bring both governments relief from exporters who complain of their stinginess in matching the competition.

There is, however, some broader justification for seeking a review at this stage. Fig-

The fear is that the review of subsidy rules in 1987 failed to achieve the effect of curbing the practice of mixed credits

ures submitted to the OECD by members of its Consensus on Export Credits rules show that offers of mixed credits jumped 30 per cent in the year to last June and have continued to run at a high level ever since.

The fear is that the laborious review of subsidy rules completed in 1987 has failed to achieve the desired effect of curbing the practice of mixed credits.

It was intended to work by setting higher minimum levels of aid grant, making mixed credits more expensive and forcing governments to cut back. Instead what some fear has been happening is that aid that would have otherwise been used for straightforward development purposes has been diverted into mixed credits.

This is worrying not least because mixed credits go mostly to middle-income devel-

oping countries that have thus been taking money that should normally be used to alleviate the plight of the poorest.

The US and Canada may have some trouble convincing their negotiating partners of this argument, however, because of the lack of reliable figures. The OECD has no means of telling how many of the offers of mixed credit which are notified to it are actually taken up by developing countries.

Some European countries feel that more time is needed to assess the real trend. But there seems to be little doubt that eventually the 1987 package will have to be re-opened and new rules set.

When this happens, the result is likely to be complicated, because discussion will turn on not only finding a new way of curbing mixed credits, but also on raising the minimum grant content of individual credits. It will also have to encompass a long agenda of related issues which are piling up on the Consensus agenda.

For example, the UK, with its new concessional credits for

both China and Indonesia, has been particularly aggressive on the mixed credit front. But new OECD talks would provide an opportunity to push for a long-cherished objective of removing the maturity limits on official export credits to rich countries, such as the Soviet Union.

For the long list of finance ministries worried about the general cost of export credit schemes, the review would provide an opportunity to reduce still further the interest subsidies which are routinely permitted on conventional credits to middle-income and poorer developing countries. This would entail a review of the matrix of permitted rates with particular focus on cutting subsidies directed towards middle-income countries.

There is also concern in low-interest countries, such as Japan, that the minimum rates are pitched so high as to make it hard for them to offer any interest rate subsidies while high-interest countries are able to gain an advantage by doing so with loans in their own currency.

Although Japanese interest

rates are low, it is widely accepted that Japan has been hit by the appreciation of its currency which has made its export credits costly for developing countries to service. On the other hand the country has also been criticised for not exporting as mixed credits export credits which are sweetened with untied aid. Competitors complain that even though the aid is notionally untied the resulting business still somehow ends up in the hands of Japanese companies.

Last, although it is not directly related to the question of the Consensus rules, there is the question of transparency of export credit agency accounts. This has been given a new lease of life by the decision of Britain's Export Credits Guarantee Department sharply to increase its provisions on developing country debt.

The UK would now like other agencies to be similarly candid about their financial position. After all, one of the surest ways of winning public support for cuts in overall spending on export credits ought to be ruthlessly to expose its cost.

# Call to soften Super 301 crunch for Japanese

By Nancy Dunne in Washington

BUSH Administration officials have expressed an interest in a proposal to call a full-scale economic summit with Japan while naming it as a "priority foreign country" with egregious trade barriers under the Super 301 provision of last year's trade law.

The proposal was issued last week by the National Association of Manufacturers (NAM) after a membership vote.

The resolution did not ask for the naming of specific trade practices, but stressed support for the provision in the trade legislation asking the President to seek an economic summit with the prime minister of Japan.

Mr Howard Lewis, NAM's vice-president of international affairs, said the group wanted a strategy, not just a checklist, in dealing with the US-Japan trade imbalance. The summit would examine macro-economic solutions as well as specific trade disputes.

He said officials at the US

Trade Representative's Office as well as Commerce had requested a copy of the NAM proposal. Despite the various reports circulating through Washington, that the US has decided to cite Japan, Brazil and India for Super 301 actions, President Bush has not yet made a final decision. It is expected this week.

The US has been criticised in Geneva by Japanese and South Korean delegates for proposed unilateral actions. NAM was offering a less confrontational strategy because US-Japanese co-operation is necessary to end the Uruguay round trade talks successfully.

Japan must be named to avoid an outcry in Congress, which designed the trade law in part, to identify the most significant potential foreign markets. "By naming the country, but not the practices, we give the president the discretion to negotiate about the most important issues," Mr Lewis said.

# Japanese manufacturers to complain over tariffs

By Guy de Jonquieres, International Business Editor

LEADING Japanese consumer electronics manufacturers have formally complained to the European Commission about a proposal which would almost double the Community tariff on imports of most compact hand-held video cameras, known as camcorders.

The proposal, to be discussed by a committee of national customs officials in Brussels next week, would increase the tariff from 4.9 per cent to 14 per cent, the level applied to video cassette recorders (VCRs).

The Electronics Industry Association of Japan, acting for 11 Japanese camcorder manufacturers, has strongly condemned the proposal which, it says, is likely to fuel concern among the EC's trading partners about a "Fortress Europe."

The Association says the proposal would violate the Community's obligations

under the General Agreement on Tariffs and Trade and would reverse an EC decision on the customs classification of camcorders made only three years ago.

Consumer electronics has long been a highly sensitive issue in EC-Japanese trade relations.

However, the latest incident is unusual because all the camcorders sold in the EC last year were imported from the Far East and there is no indigenous European industry to protect.

Ironically, the only company making the products in the EC is Sony, a Japanese company which has associated itself with the industry complaint.

According to BIS-Mackintosh, a British market research firm, about 2m camcorders worth a total of \$2bn were sold in the whole of Western Europe last year.

# Pacific trade coalition urged

By Peter Norman in St Gallen

A LEADING Democrat member of the US Senate yesterday called for the creation of a "Pacific Coalition" to help promote the Uruguay Round of multilateral trade liberalisation talks and ease the debt crisis.

At the same time, Senator Bill Bradley of New Jersey cautioned against any rapid moves to grant membership of the General Agreement on Tariffs and Trade to the Soviet Union.

Addressing this year's International Management Symposium at the University of St Gallen, he said Australia, Canada, Indonesia, Japan, South Korea, Mexico, Thailand and the US should form a group in which trade, finance and commerce ministers would meet informally to find solutions for issues such as agriculture.

He said that these nations would not form a regional trading block.

# US-EC deal to solve disputes

By Tim Dickson in Brussels

THE CURRENT "softly, softly" style of transatlantic trade relations has been illustrated by a US-EC deal over procedures for sorting out two potentially bitter trade disputes on oilseeds and sugar products.

At a weekend meeting in Washington between Mr Frans Andriessen, the EC's External Relations Commissioner, and Mrs Carla Hills, US Trade Representative, the two sides ended months of bickering over the type of dispute panels to be used in resolving the two complaints, made under the rules of the Geneva-based General Agreement on Tariffs and Trade.

Apart from confirming the less antagonistic atmosphere in relations between the two camps, the latest settlement appears to head off the possibility of immediate retaliatory action which under the new American Trade Act Mrs Hills would have been bound to consider in early July.

But the fact remains that the substance of the issues has not yet been tackled and while there may be a respite, the dispute relations later in the year, and could get caught up in the wider negotiations on agriculture in the Uruguay Round of the Gatt. Another deadline for US "action" looms in early 1990.

In late 1987, the US-Soyabean Association filed a complaint, quickly adopted on its behalf by the Administration in Washington, alleging that EC subsidies on oilseeds were unfairly encouraging EC production and thereby undermining access to the European market.

According to US figures, US exports of soyabean and meal have fallen from \$3.6bn in 1981 to around \$2bn in 1988.

The EC hit back last year with its own complaint, that the US was restricting imports of sugar and sugar-containing products under quotas which

came into force under a Gatt "waiver" as far back as 1955. The quotas also apply to dairy products, cotton and peanuts.

Progress in the Gatt on both issues was initially blocked on which individuals could sit on the panels, then more recently on terms of reference. The EC, for example, had been insisting that the panel refrain from considering damages in the soyabean case and stick to the legality of the subsidy, a demand which Washington felt could be prejudicial.

Under the weekend agreement, reported by Mr Andriessen yesterday to the EC foreign ministers, the EC agreed to drop its damages demand and the US agreed to proceed with a panel covering the sugar "waiver".

But as Mr Guy Legras, the EC's director-general for agriculture, said last week on the soyabean dispute: "The fundamental problem remains. Nobody should be in doubt the stakes are high."



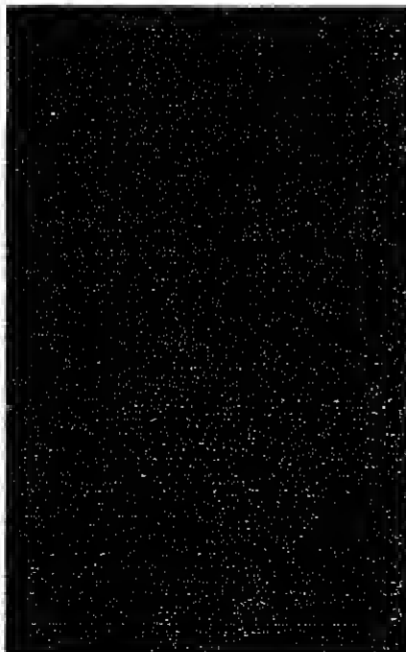
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## UK NEWS

## 'WonderWorld' set to announce risk capital deal

By Richard Tomkins, Midlands Correspondent

WONDERWORLD, the company planning to build Britain's biggest theme park on a 1,000 greenfield site near Corby in the Midlands, is today expected to announce that it has raised the risk capital necessary to start the project.

Clearance of the funds was being completed overnight and a group of senior executives from Bouygues, the French construction group which is to build the park, will arrive on site this morning.

Completion of the private share placing will mark the end of a long series of setbacks in trying to finance construction of the Disney-style park since it was conceived more than 15 years ago.

The project appears to have been saved by a group of unnamed private investors who have stepped in with an offer to buy £72.8m worth of shares in the company. Another £5m worth of equity will be put up by Bouygues.

The balance of £125m needed to finance the project's £208m first phase will be raised in the form of debt.

WonderWorld's advisers believe this will be relatively

easy to arrange now that the risk capital is in place.

Billed as the biggest single scheme ever to have won planning consent in the UK, WonderWorld and its related commercial developments could eventually cost an estimated £1bn. Later phases will be separately financed.

Work on the first phase, comprising six of the 13 planned themes such as Story-Village and HealthWorld, will begin within days. Opening is targeted for August 1992.

The latest placing of WonderWorld's shares has been arranged by W.I.Carr, the London stockbroker. It has found a group of wealthy individuals who are prepared to back the project with their private funds.

The investors are shielding their identity by investing through an offshore company called World of Wonder, based in the British Virgin Islands, and they have asked W.I.Carr not to say who they are.

Mr Graham Andrews, head of corporate finance, said the investors were not well known figures and wished to remain that way.

## Union votes for Labour multilateral arms policy

By John Gapper, Labour Correspondent

THE opposition Labour Party's attempt to shift to a policy of multilateral nuclear disarmament was heavily backed by the National Union of Public Employees yesterday, clearing the way for the abandonment of strict unilateralism.

The union's change of policy makes it almost certain that Labour's annual conference this autumn will back the revised policy of negotiating cuts in nuclear arms which was recommended by the party's policy review.

Nupe's annual conference in Scarborough voted by a majority of three to one to back multilateral negotiations. The switch of policy will transfer 600,000 block votes away from unilateralism at the conference.

At last year's conference a motion supporting a mixture of unilateral and multilateral disarmament was defeated by 335,000 votes, with Nupe voting against.

The vote reduces the importance of the stand taken by the TGWU transport union against a change of policy. The TGWU, which wields 1.25m votes, is to consider the issue in June.

## Disney executives working at Sky TV despite suit

By Raymond Snoddy

DISNEY Channel executives are still at work in the London headquarters of Sky Television planning to proceed with an August 1 launch of the channel in the UK despite Sky's \$1.5bn lawsuit against the Walt Disney Company for alleged fraud and breach of contract.

Mr Pat Lopker, managing director of the Disney Channel in the UK said, yesterday: "As far as I am concerned it's business as usual."

Last Thursday Disney drew up and distributed to Sky Television executives the first schedules for the new channel.

"We have not terminated the

agreement. We think we have an agreement and we are going ahead. So far as we concerned we are operating as we were a couple of weeks ago," said Mr Lopker, who added that he was continuing to hire staff for the channel launch despite the dispute between his parent company and Mr Rupert Murdoch's Sky Television.

Last week Mr Andrew Neil, executive chairman of Sky Television, said after filing the lawsuit that plans to launch the Disney channel in the UK in a joint venture with Sky were at an end.

In the suit, filed in Los Angeles Superior Court, Sky Television claims it has already spent or committed \$500m "establishing and commencing the venture and its business (including cash outlay and commitments)."

Most of the commitments involve the rights to films for Sky Movies, the Sky Television channel. The 16-page lawsuit sets out five causes of action against Disney including alleged breach of contract, fraud and unfair competition.

Disney has said little about the suit but says it has "absolutely no merit", although a reply from Disney is expected later this week. A hint of possible Disney grievances is contained in a letter filed by Sky Television lawyers with the main lawsuit document.

In a letter to Disney's top executives Mr Barry Diller, chairman of Twentieth Century Fox Film Company, part of Mr Murdoch's News Corporation, concedes: "I do not mean to ignore or even minimise your feeling that we have not consulted with you or sought your approval in some areas."

The letter offers to set up a "hotline" to solve problems. It continues: "While we disagree

with your characterisation of what occurred, you have my personal assurance that, in future, we will go even beyond the requirements of the contracts' rights. We assure that you will do the same."

One point of contention involves a deal for rights to future Warner Brothers films for the satellite joint venture.

News Corp admits it is difficult to quantify the damage caused by Disney's alleged actions but says it believes the figure that can be proved will exceed \$500m. A further \$1bn is being sought in punitive damages.

## Gurkha brigade to be cut by half

By David White, Defence Correspondent

BRITAIN has taken the knife to its famed Gurkha brigade of Nepalese soldiers.

Surprise plans to cut the 8,000-strong force by half were announced in the House of Commons yesterday by Mr George Younger, Defence Secretary. The decision is linked to British withdrawals from Hong Kong, due to be handed over to China in 1997. The colony is the Gurkhas' main base.

Officials emphasised that the Gurkhas' future as a brigade in the British Army was guaranteed. All Gurkha regiments were now there, largely paid for by the Hong Kong Govern-

ment, one in Brunel paid for by the Sultan, and one in the UK.

Mr Younger said no change was planned before 1992, with the first withdrawal of a battalion from Hong Kong.

The brigade now costs the UK about \$51m a year. This is expected to increase by £10-£20m under the plan, mainly because of the loss of Hong Kong funding. Redeploying the entire force would have cost an extra £50m.

Gurkhas have been in British service since 1815 and in the Second World War numbered as many as 250,000.

## 'Tough time ahead for food groups' in future

By Christopher Parkes

THE fastest-growing sectors of the UK food industry will soon feel the effects of the economic squeeze, although non-European Community companies appear set to benefit from the creation of a single market in 1992, says a study published today.

The study, compiled by Charterhouse, the merchant and investment banking arm of the Royal Bank of Scotland, says the industry's profit performance is expected to suffer as consumer spending falls.

Overall volume growth for the sector is expected to average only 1% per cent a year for the next five years.

Even so, demand for healthy foods and convenience will allow manufacturers to add value to their output, compensating for overall slow growth.

The study forecasts above-average annual growth of about 3 to 4 per cent for confectionery, bread and biscuits, snacks, cereals, fruit and vegetables.

However, it also predicts volume declines of between 2% and 4% per cent a year for meat, dairy products and oils and fats.

While food manufacturers have ultimately much to gain from the single European market in 1992, the report says non-Community companies appear better placed to benefit.

Few EC makers have strong international brands. They tend to be nationally based and have elected to diversify into new domestic product sectors.

Non-EC companies, mainly US or Swiss-based, have taken the opposite tack. They account for almost half the best-known brands in the Community, and more than 60 per cent of total equity devoted to the food business, the study says.

Food retailers were given notice yesterday of government plans to tighten controls on food displays. Proposals for "momentous" changes in regulations governing the handling and storage of food in shops could oblige them to make significant new investments in chillers and other storage cabinets, Mr Roger Freeman, junior health minister, said in London.

"Business Forecasts for the UK Food Market to 1994, by Owen Nankinell and James Morrell. £240, additional copies £20. James Morrell Associates, 1, Paternoster Row, St Paul's, London EC4M 3DE.

## Market 'to hold sway in future'

By Ralph Atkins

THE TREND towards economic liberalisation and the market orientation of government policies in the 1980s is set to continue around the world, a leading economist said.

Mr David Henderson, head of economics and statistics at the Organisation for Economic Co-operation and Development (OECD), said economic liberalisation "has emerged from the shadows. In modern dress, as one of the explicit guiding influences on economic thinking and policy."

His lecture, A New Age of Reform?, marked the 20th anniversary of the Institute for Fiscal Studies. In it he argued that attempts to extend the influence of markets and deregulate the role of state regulation may increasingly characterise, not only the UK and other OECD countries, but also developing countries, eastern Europe and the Soviet Union.

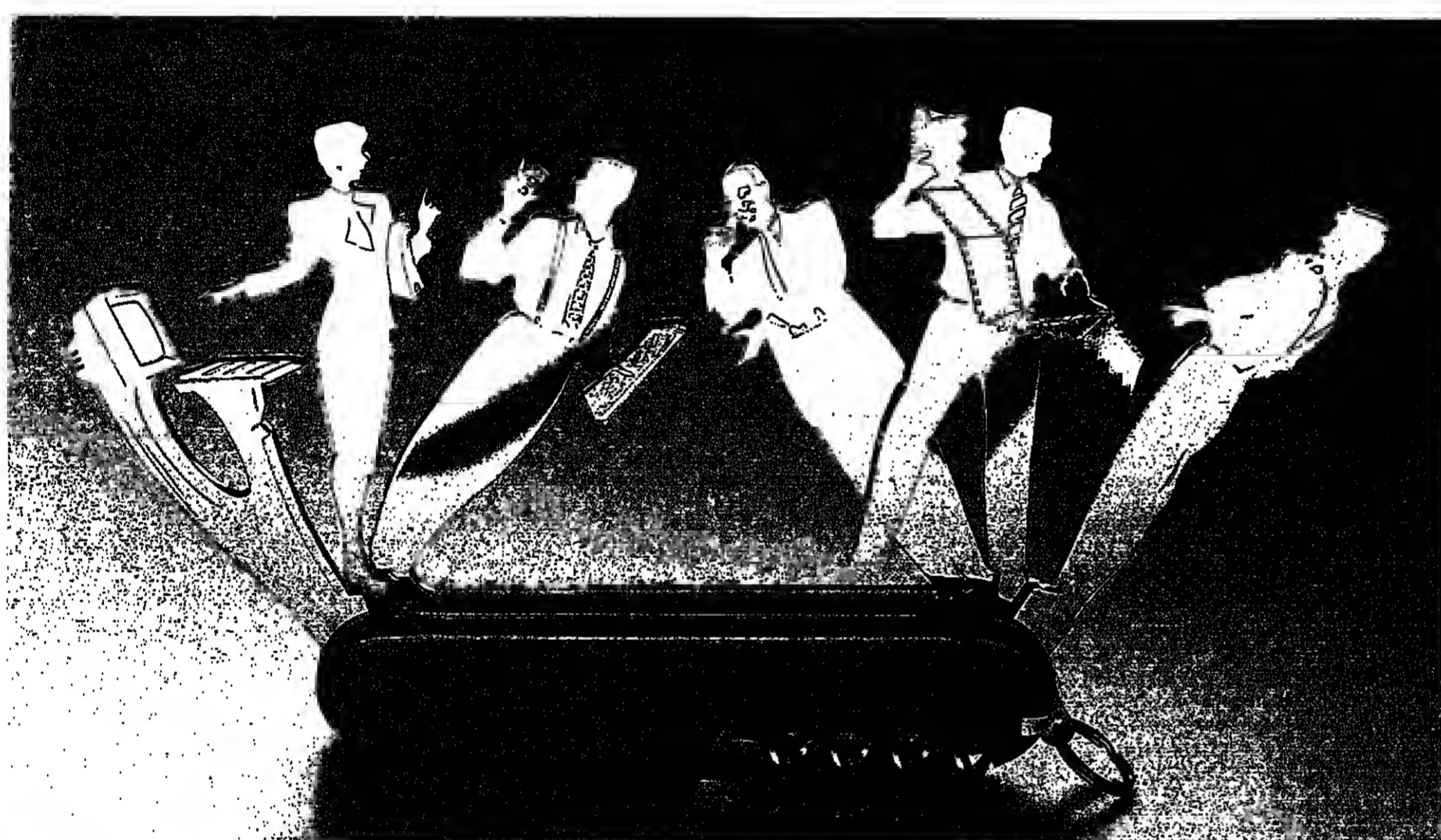
Looking at the evolution of social and economic policies in the 1980s, Mr Henderson found many parallels with the 19th century. In Britain, recent changes were similar to an overhaul in policies and institutions witnessed in the 1830-60 period.

Commenting on the UK, he says: "There has clearly been a move, albeit with various limitations and exceptions, in the direction of economic liberalism - just as there was in the British age of reform in the last century."

In the next five years, he says, the long-run tendency for public spending as a share of gross domestic product (GDP) to rise has been arrested in the OECD area - although it remained debatable whether a decisive break in the trend had occurred. At the same time, government borrowing as a share of GDP has fallen, reflecting an increased desire to balance budgets.

However, government revenues have continued to rise in relation to expenditure, suggesting the move towards balance has been achieved more by increasing receipts than by cutting public expenditure.

Mr Henderson pointed to two forces likely to continue the world-wide trend towards greater liberalisation - widespread disillusionment with the results of regulation and centralised planning, and the influence of the highly impressive performance of newly industrialising economies on policy in the developing world.



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## Nationwide slowdown in house market hits sellers

By Andrew Taylor, Construction Correspondent

A LETHARGIC housing market in much of England is making it difficult to sell homes, says a survey of more than 130 estate agents by the Royal Institution of Chartered Surveyors.

More than a third of agents said house prices had fallen in the three months to the end of April, while a further 40 per cent said prices were static. Less than a quarter reported rises.

The institution said the housing market slowdown had spread to most of the country, although some northern areas, such as Newcastle upon Tyne, Hartlepool, Hull and Leeds remained relatively buoyant.

A survey of south-west England showed 60 per cent of agents reporting price falls during the three months to the end of April.

It said that demand had slowed considerably in north-west England where

most housebuilders were offering sales incentives to overcome the drag of higher mortgage interest rates. Base interest rates are 13 per cent.

Many London properties were waiting for sale, with many sellers having to reduce asking prices.

One agent in Dulwich, south London, said: "Market prices have not changed since Christmas. Flats are selling fairly well but chains are clogging up the market."

Mr Peter Miller, the institution's housing market spokesman said: "The market is slow across most of the country. In order to achieve sales sellers must be more realistic in their expectations."

"They do not seem to understand that even if they have to accept less than anticipated they can purchase in the same market at a price lower than they would have expected."



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UK NEWS

# Stock Exchange rebuffs call for radical changes

By Barry Riley and Nick Bunker

THE London Stock Exchange Council yesterday rebuffed proponents of radical change in the exchange's market making system by approving a draft report which is said to favour established firms rather than newer, often foreign-owned, competitors.

Only "one or two" minor amendments were ordered to the controversial Elwes Committee report on the domestic equity market before it was passed as suitable for release to member firms as a basis for consultation. It may go out later this week, and is intended to result in firm proposals next September.

Mr Nigel Elwes of Warburg Securities, chairman of the Special Committee which produced the report, said after the meeting that there had been "no change to any of the fundamental points in the consultative document."

Mr Andrew Hugh Smith, stock exchange chairman, said there had been "total unanimity" that the exchange's competing market maker system - under which the market makers provide a range of prices for the investor to choose from - had been remarkably successful.

There was no support for a shift to the internationally common order-driven system - based on the matching of investors' buying and selling orders.

"We're not the only market in the world in which the players are having difficulty in making money," he said. "The system is not perfect, but it is capable of development and refinement, and we are going in that direction."

In particular, the proposals include a scheme for an experimental limit order system called Close which will add certain features of an order-driven system to the LSE's quote-driven market, Seaq (Stock Exchange Automated Quotations).

Mr Hugh Smith described the considerably more radical Touche Ross study of the central equities market, which he had commissioned from outside consultants, as an input to the consultative process. "We are trying to bring together a range of analysis and opinion," he said.

The chief executive of one securities house said the council meeting was "not enormously contentious." He said it culminated in majority support for the view that London should continue with a competing market-maker system, but make reforms broadly along the lines in the Elwes report. "Evolution, not revolution, was the mood of the meeting," he said.

Mr Stanislas Yassukovich, of Merrill Lynch, the council's deputy chairman, is understood to have advocated bringing in some of the more radical reforms recommended in the Touche Ross report. He was "relatively isolated" at the meeting though, said one observer.

Other features of the consultative document include a plan to abandon the current division of securities into alpha, beta and gamma stocks, and a proposal to subject market makers to a regular review to make sure they are meeting their obligations.

# Business chiefs on top NHS board

By Hazel Duffy

BUSINESSMEN including Sir Roy Griffiths, deputy chairman of J. Sainsbury, and Sir Graham Day, chairman of the Rover Group and Cadbury Schweppes, have been appointed to a National Health Service policy board to be set up as part of the Government's changes to the NHS.

The 12-member board will meet monthly to determine the strategy, objectives and finances of the NHS in the light of government policy.

Day-to-day management will be in the hands of the new Management Executive, headed by Mr Duncan Nichol. Mr Kenneth Clarke, Health Secretary, will chair the policy board, with Sir Roy as deputy chairman. Sir Roy has been the leading private sector figure to help the Government draw up plans to make the NHS more management-oriented.

Other leading businessmen appointed to the board include Sir Kenneth Durham, chairman of Kingfisher Holdings (formerly Woolworth) and deputy chairman of British Aerospace, and Sir Robert Scholey, chairman of British Steel.

Sir James Ackers, a Midlands businessman, and chairman of the West Midlands Regional Health Authority, also joins the board. They will be non-executive and unpaid.

Mr Clarke has bowed to the demands of the medical profession that it should have a member on the board and appointed Sir Donald Acheson, the Government's Chief Medical Officer.

The British Medical Association said: "We would have preferred to see far more clinicians from the profession included on the board."

# Barristers call for cameras in the courtroom

BARRISTERS yesterday called for a change in the law to allow the televising of court proceedings in England and Wales, writes Robert Rice.

The Bar, a professional body of barristers, urged the Government to set up an Advisory Committee to establish pilot projects for the broadcasting of civil and criminal trials and appeals. The recommendations came in a report arising from the first major inquiry into the issue in Britain since the introduction of a statutory ban on cameras in courts in 1926.

The committee, which would be made up of judges, lawyers, psychologists,

broadcasters and senior government representatives, would review the present coverage of court proceedings and laws relating to them and report to the Government. It would also be responsible for making recommendations as to which courts should have permanent, remote control cameras installed, and whether the broadcasting of courts should be carried out by broadcasters or by an independent contractor supervised by Government.

The report suggests that a video recording should also be considered as the most cost effective and most accurate form of official court record. All new court build-

ings should be designed with broadcasting of cameras in mind.

Mr Jonathan Caplan, chairman of the Bar working party, said yesterday that televising the courts would increase public understanding of, and confidence in, the legal system. This was important since the courts frequently made decisions which affected everyday life.

Although stills photography was not within the working party's brief, the report accepts that the proposed changes would make it difficult to exclude photographers and radio, and it recommends further consideration of the matter.

# Courts edge towards the limelight

Robert Rice looks at pros and cons of prime time legal proceedings

FOR MORE than 60 years, Britain's courts have shied away from the flashing lights and searching lenses of camera-toting journalists. But now, in an inquiry unprecedented in the UK, barristers are examining the possibility of televising the courts.

Photography of any kind was originally banned in England and Wales by the 1926 Criminal Justice Act, with no exceptions. Those guardians of public morality believed that stills photography in newspapers could only excite an unsavoury curiosity and give little public benefit in return.

Although, at the time, television was merely a blurred image in John Logie Baird's mind - it was not until 11 years later that the BBC launched its first television service - modern courts have interpreted the Act as applying to the box, and because it was in force before the arrival of television, the issue has never been debated in Parliament.

Countries used to tuning in to the latest in court cases - Australia, Canada, the US, France, Italy, the Netherlands - are almost uniformly in favour of it. There have been relatively few complaints. Furthermore, fears voiced by

pessimists, of the parliamentary and legal risks of televising proceedings, have invariably been shown to be without foundation. In so far as risks remain they are capable of being controlled, says the Bar, the barristers' professional body conducting the inquiry.

In their visits to the US to examine existing systems, the Bar's working party discovered, for example, that many judges who were initially hostile or sceptical had changed their minds as a result of participating in televised proceedings.

The main benefit of televising court proceedings is highlighted in a recent survey done by the BBC which shows that 70 per cent of adults in the UK learn most of what they know about current affairs from television. Advocates of the camera in court believe that television would greatly assist in informing and educating the public, and in enhancing confidence in the legal system and its procedures.

Against this must be balanced fears that television could trivialise court proceedings and that the presence of cameras would affect the behaviour of judges, jurors, witnesses and advocates.

Again, the Bar says, the evidence from abroad suggests that all these fears are groundless. The trivialisation argument is an emotive and misconceived view of television it says. Television documentaries are responsible and exacting forms of journalism.

Technological advances are such that remote control cameras mounted on courtroom walls can be totally unobtrusive. The Bar quotes the liberally hundreds of pilot studies, research projects and surveys on the subject to show that none has concluded that the presence of cameras affects the behaviour or attitudes of the participants.

But, the Bar notes, there are some areas of risk which require strict rules of coverage. The working party envisages that television might be used by broadcasters for reports in news programmes, regular late night summaries during trials of public interest, very occasionally, the live coverage of a trial of public importance, and for documentaries and educational programmes.

An application to televise any proceedings would have to be obtained from the trial judge before the hearing. In

deciding whether to allow it, the judge should take into consideration the type of case involved, whether coverage would cause harm to any participant, whether it would interfere with law enforcement, whether the proceedings would involve scandalous matters, and the objections of any of the participants.

The trial judge would also have the discretion to exclude the camera at any stage during the trial - much as is done now with print journalists - although the Bar stresses that exclusion should be exercised only if it is necessary in the interests of justice or a fair trial. Both the original application and the use of discretion during the trial would be subject to a right of appeal.

And, to ensure that no enterprising media moguls see profit in the court celluloid, use of the material would be limited to news, documentaries and educational programmes. Restrictions would also be put on what could be filmed, in the interests of safety and objectivity.

Within the framework of these rules, however, the Bar believes the time has come for a careful and controlled experiment in the English courts.

# In Brief UK trade deficit 'to worsen in 1988'

BRITAIN'S current account deficit will be worse this year than in 1988, says a survey of independent economists' forecasts compiled by the Treasury, writes Ralph Atkins.

On average, the 22 forecasting groups covered expect a deficit of £15.5bn in 1989, compared with £14.7bn in 1988. Only a slight improvement, to £13.5bn, is expected in 1990. A further fall to 4.9 per cent is forecast for the last quarter of next year.

Forecasters covered by the survey include Oxford Economic Forecasting, the Confederation of British Industry and the Organisation for Economic Cooperation and Development, as well as City securities houses.

# Inflation revision

The Treasury revised inflation estimates upwards, saying it expects the annual inflation rate to peak at about 8.5 per cent during the summer months, as compared to an estimate of 8 per cent in March, before falling back. The recent rises in petrol prices were the main factor behind the Treasury's change in view.

# Slowdown pointer

The Central Statistical Office said UK cyclical indicators point to a slowdown, with the longer leading index, which looks a year ahead, fell in April. This continued an almost uninterrupted decline since July 1987.

# Electricity chief named

Professor Stephen Littlechild, head of industrial economics and business studies at Birmingham University, has been named Director General of Electricity Supply, and will head a team responsible for regulating the industry after privatisation.

# Rail unions meet

Leaders of the three rail unions, representing more than 100,000 British Rail staff, have agreed to meet on Friday in an attempt to avert a damage-split developing over pay and bargaining policies.

# Post Office revamp

The Post Office is planning to implement a multi-million pound restructuring of its parcels business following widespread dissatisfaction with the service after last year's postal strike.

# Airport costs rise

The cost of expanding Stansted Airport, Essex, into London's third airport has risen by almost £100m to £260m, according to figures released by BAA, the UK airport authority. BAA said the extra cost was accounted for by inflation and cost rises.

# Clowes reporting ban

The Serious Fraud Office obtained a further court order preventing the reporting of civil proceedings in the Barlow Clowes investment case. This was to prevent a "substantial risk of prejudice" in the trial of Mr Peter Clowes and three of his associates.

# Plans to encourage toll roads unveiled

By Andrew Taylor, Construction Correspondent

PLANS to make it easier for developers to build privately financed toll roads in Britain were announced yesterday in a consultation paper published by Mr Paul Channon, Transport Secretary.

Mr Channon invited bids from private companies to increase road capacity between Birmingham in the Midlands and Manchester in the north west and to construct a Birmingham northern relief road.

The combined cost of the projects, which would involve separate competitions, could be about £700m, said Mr Channon.

Most toll roads in Britain are river crossings, such as the Dartford Tunnel under the River Thames or the Humber Bridge. Other ambitious schemes have been proposed but have still to progress. These include a privately financed motorway running east-west under central London and a privately financed East Coast motorway from Newcastle to Cambridge.

Plans to encourage greater private sector investment in roads received a cool reception from the construction industry yesterday.

The Government is proposing to simplify procedures for authorising privately financed roads. These at present require

changes in the law. In future the Transport Secretary would be able to authorise schemes, subject to a public inquiry.

The consultative paper also proposes to: Allow private developers to set their own tolls on routes other than river crossings, where there was sufficient competition from other roads.

Permit government to acquire land compulsorily for developers.

Ease the rules by which individual private-sector schemes are judged on value for money against publicly funded road schemes.

Permit developers to develop car-only toll lanes on busy motorways.

Construction companies said that the proposals "do not lead to higher costs and even worse planning delays than at present if public inquiries were to be held into most schemes."

The Federation of Civil Engineering Contractors, which represents most of Britain's road-building companies, said the discussion document containing the proposals "does not increase by much the opportunities for involving private finance on terms that would be attractive to contractors or bankers."

# Law Lords told to 'disqualify themselves' from Lonrho case

By Raymond Hughes, Law Courts Correspondent

FIVE Law Lords were yesterday told that they should disqualify themselves from hearing the unprecedented case in which Lonrho, the international conglomerate and The Observer newspaper, which it owns, are accused of being in contempt of the House of Lords.

Lawyers for the company, headed by Mr "Tiny" Rowland, and three other Lonrho directors argued that as the five law lords had initiated the contempt proceedings they would be seen as acting as "prosecutor, judge and jury" in their own case.

It was, said Mr Alan Rawley, barrister acting for Lonrho, all to do with justice not only being done but being seen to be done.

"The appearance of justice would be violated by this proceeding," Mr Rawley argued.

Mr Gordon Pollock, barrister acting for Mr Rowland, Sir Edward Dn Cann, Lonrho's chairman, and two other directors, Mr Paul Spicer and Mr Robert Dunlop, argued that if the five law lords heard the case his clients would inevitably fear that they might not get a wholly fair trial.

Both counsel argued that the Law Lords should either hand the case over to a different set of Law Lords or leave it to the Attorney General to decide whether to start contempt pro-

ceedings in the Crown Court. The case is the first involving an alleged contempt of the Law Lords.

The alleged contempt relates to the publication on Thursday, March 30 of a special issue of The Observer containing extracts from a leaked copy of the report by Government inspectors into the 1985 takeover of the House of Fraser stores group by the Egyptian Al-Fayed brothers.

Copies of the newspaper were sent to four of the five Law Lords who were due to hear Lonrho's final appeal to force Lord Young, the Trade and Industry secretary, to publish the report and to refer the matter to the Monopolies and Mergers Commission. The Law Lords last week dismissed Lonrho's appeal.

Today the same five judges - Lord Keith, Lord Templeman, Lord Griffiths, Lord Ackner and Lord Lowry - sat in the Moses Room in the House of Lords beneath an oil painting of Moses Bringing Down The Tables of the Law to the Israelites, to begin hearing the contempt case.

In addition to Lonrho and its four directors, The Observer and its editor, Mr Donald Treford, and two lawyers who have acted for Lonrho in the Fraser litigation, face the contempt allegations.

The possible penalties they face are imprisonment, fines and sequestration of assets.

Asking the five law lords to "recuse" themselves (to reject themselves as being prejudiced) from the case, Mr Rawley reminded them that in their judgment last week they had spoken of Lonrho having used "bullying" and "intimidatory" tactics.

He also reminded them that the European human rights convention guaranteed people a fair trial before an impartial tribunal.

Both Mr Rawley and Mr Pollock singled out Lord Ackner for special mention because of a "professional and friendly" relationship years ago between his father, who had been a dentist, and Mr Rowland.

They had lunched and dined together and a copy of a portrait of the father had, after his death, been given to Mr Rowland as a memento by Lord Ackner's brother, said counsel.

Lord Ackner, who said he did not know and had never met Mr Rowland, said many copies had been made of his father's portrait and sent as Christmas cards or calendars to friends.

Mr Pollock said that Mr Rowland did not think it "seemly" that Lord Ackner should sit on a matter in which Mr Rowland was accused of a crime. The hearing continues today.

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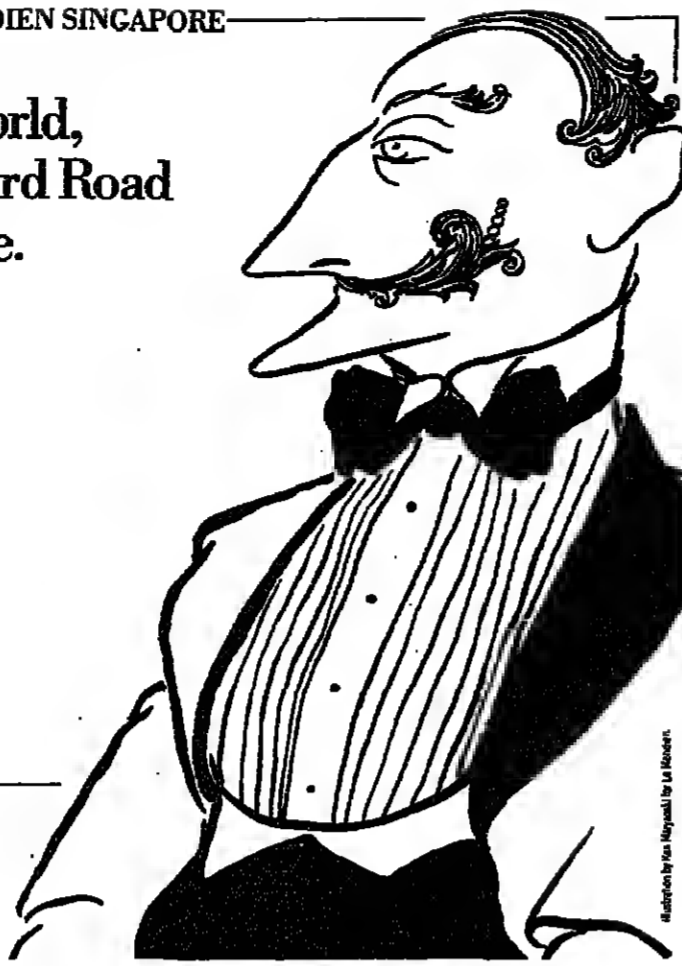
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## Fish appeal awaits Europe decision

**REGINA v SECRETARY OF STATE FOR TRANSPORT, EX PARTE FACTORAME LTD AND OTHERS**  
House of Lords (Lord Bridge of Harwich, Lord Oliver of Aylmer, Lord Goff of Chieveley and Lord Jarmoy of Tullichettle).

May 18 1989  
THE COURT has no power under English law to suspend the effect of UK legislation pending determination of questions of its incompatibility with EC law by the European Court, but there may be a prevailing obligation under EC law to protect putative EC rights having direct effect which have been claimed and are seriously arguable. Accordingly the English court cannot grant or refuse interim relief pending reference on compatibility without first seeking a preliminary ruling from Europe as to any obligation it may have to protect putative rights.

The House of Lords so held when adjourning an appeal by Factorame Ltd and other owners of fishing vessels, from a Court of Appeal decision (FT, April 5 1989) setting aside an interim order to restrain the Secretary of State for Transport from enforcing licensing legislation against them pending reference of questions to the European Court of Justice in judicial review proceedings. LORD BRIDGE said the appellants were companies incorporated under UK law and their

directors and shareholders, most of whom were Spanish nationals.

The companies owned or managed 95 deep sea fishing vessels which, until March 31 1988, were registered as British under the Merchant Shipping Act 1984.

Of those vessels 53 were originally registered in Spain and flew the Spanish flag. They were registered under the 1984 Act from 1980 onwards. The remaining 42 vessels, purchased by the companies since 1983, had always been British.

The statutory regime governing the registration of British fishing vessels was radically altered by Part II of the Merchant Shipping Act 1988, and the Merchant Shipping (Registration of Fishing Vessels) Regulations 1988.

Section 14 of the Act provided that a fishing vessel should only be eligible for British registration if it was British-owned, and controlled from within the UK. When owned by a UK company or companies it was British-owned if at least 75 per cent of the shareholders and directors were British residents domiciled in the UK.

Fishing vessels previously registered as British under the 1984 Act were required to re-register under the 1988 Act, subject to a transitional period prescribed by the Regulations, which permitted the previous registration to continue until March 31 1989.

The 95 fishing vessels failed

to satisfy the section 14 registration conditions, by reason of being managed and controlled from Spain or by Spanish nationals, or by the proportion of share ownership in Spanish hands.

The companies applied for judicial review to challenge the legality of the 1988 legislation on the ground that it contravened EC law by depriving them of directly enforceable community rights.

The Secretary of State's defence was that EC law did not restrict a member state's right to decide who was entitled to be a national of that state or what vessels were entitled to fly its flag; and that the new legislation conformed with EC law and was therefore wholly consistent with EC law.

The application for judicial review was heard by the Divisional Court. The companies argued they had a number of EC rights including the right not to be discriminated against on grounds of nationality, and the right to establish a business anywhere in the EC. The Secretary of State argued that the legislation merely gave effect to the common fishing policy and was therefore wholly consistent with EC law.

The Divisional Court decided to request a preliminary ruling from the European Court of Justice on substantive questions of EC law to enable it to determine the application.

By way of interim relief, it ordered that pending final judgment the 1988 legislation should be disapplied and the Secretary of State restrained from enforcing it in respect of the companies, so as to enable their vessels to continue registration under the 1984 Act.

The Court of Appeal allowed an appeal by the Secretary of State, and set aside the order for interim relief.

On the present appeal the only issue related to the grant of interim relief.

It was estimated that the preliminary ruling would not be given for two years. The companies claimed that unless they were protected during that period they would suffer irreparable damage. The vessels were not eligible to resume the Spanish flag and fish against the Spanish quota.

The case differed from the familiar situation where the facts on which a threatened right depended were in dispute and the court granted or withheld interim relief on the basis of balance of convenience. Here the dispute on which the existence of threatened rights depended was one of law not fact, and required a preliminary ruling from Europe.

It was common ground that in so far as the companies succeeded before the European Court, the EC rights would prevail over British legislative restrictions. It was difficult to envisage a parallel situation arising out of the disputed construction of an English statute not involving EC law.

The court might in its discretion properly decline to grant an interim order in aid of disputed legislative measures, where it was necessary to invoke its jurisdiction to secure their enforcement (see *Hoffmann-La Roche [1975] AC 213*).

But the 1988 provisions required no assistance from the court for their enforcement. Unambiguous in their terms, they simply stood as a barrier to the vessels' continued enjoyment of the right to British registration.

In that situation, the difficulty confronting the companies was that the presumption

that an Act of Parliament was compatible with EC law unless and until declared to be incompatible, must be at least as strong as the presumption that delegated legislation was valid unless and until declared invalid.

If the companies failed to establish the rights claimed before the European Court, the effect of the interim relief would be to have conferred on them rights directly contrary to Parliament's will, and to have deprived British vessels, as defined by Parliament, of the enjoyment of a substantial proportion of the UK quota of fish protected by the common fishing policy.

As a matter of English law the court had no power to make an order which had those consequences.

It followed that the appeal must be dismissed unless there was some overriding principle of European Court jurisprudence which compelled national courts, whatever their own law, to protect putative EC rights once they had been claimed and were seen to be seriously arguable.

The companies submitted that irrespective of the position under national law, there was an overriding principle of EC law which imposed an obligation on the national court to secure effective interim protection of EC rights with direct effect, where a seriously arguable claim was advanced.

None of the authorities on which the companies relied determined the question of providing interim protection of putative and disputed EC rights before their existence had been established. The decisions were all made by reference to rights which the European Court was then affirming, or the existence of which had already been established by its previous decisions.

EC law embodied a principle which appeared closely analogous to the English law principle that delegated legislation must be presumed valid unless and until declared invalid in *Chenier [1973] ECR 223*. The European Court held that every EC regulation must be presumed valid until found invalid by a competent court.

On the other hand, in *Firma Foto-Frost [1988] 3 CMLR 57, 80* the European Court said "the rule that national courts may not themselves declare Community acts invalid may have to be qualified... In the case of... application for interim measures".

It was not open to the English court to decide whether EC law obliged it to make an interim order protecting putative rights claimed by the companies.

It was necessary to seek a preliminary ruling from the European Court. It was proposed that questions should be referred as to whether *inter alia* where a party claimed EC rights which arguably existed and had direct effect, the national court had power to give interim protection by suspending the application of national measures pending a preliminary ruling.

The appeal was adjourned until the European Court gave a preliminary ruling on the questions formulated.

Their Lordships agreed.

For the companies: David Vaughan QC, Gerald Barling and David Anderson (Thomas Cooper & Stibbard)  
For the Secretary of State: Sir Nicholas Lyell QC, John Laus and Christopher Vadja (Treasury Solicitor)

Rachel Davies  
Barrister

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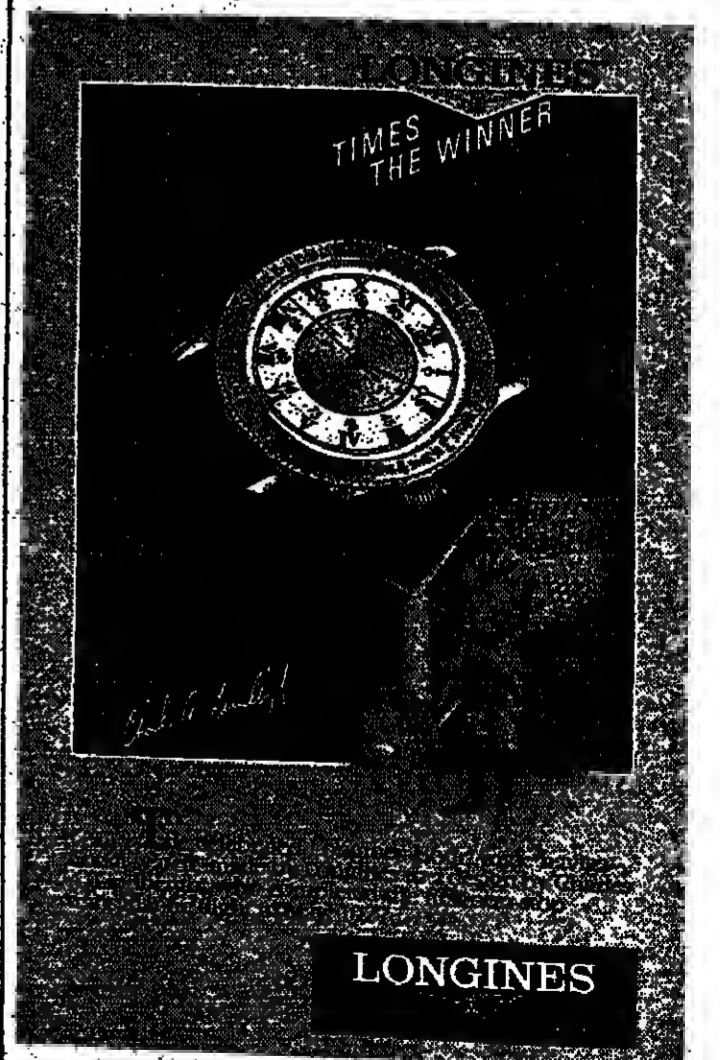


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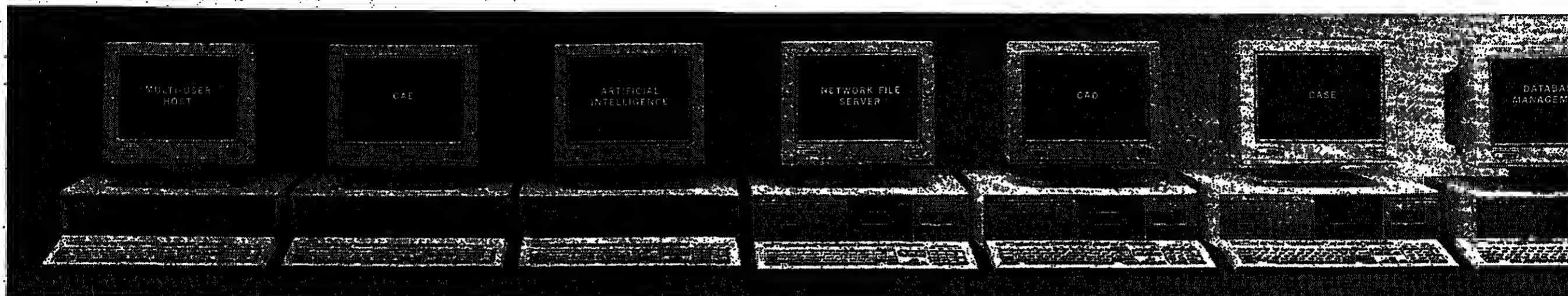


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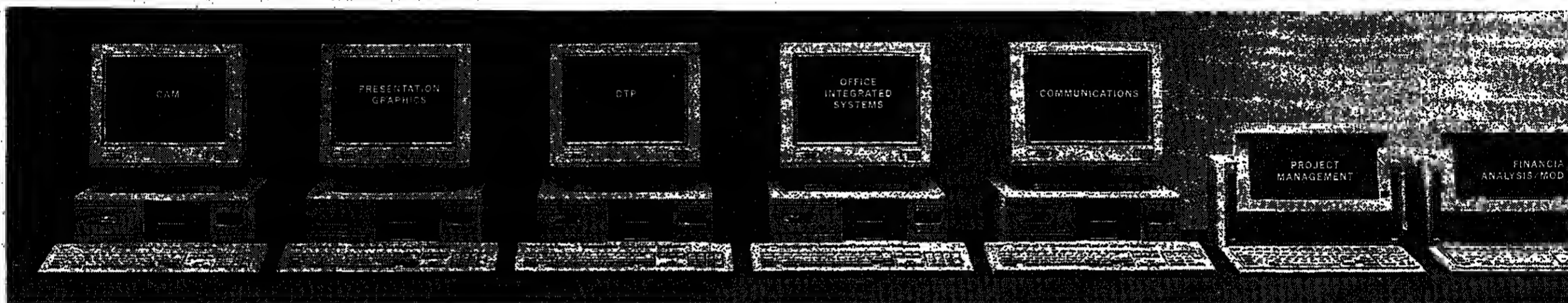
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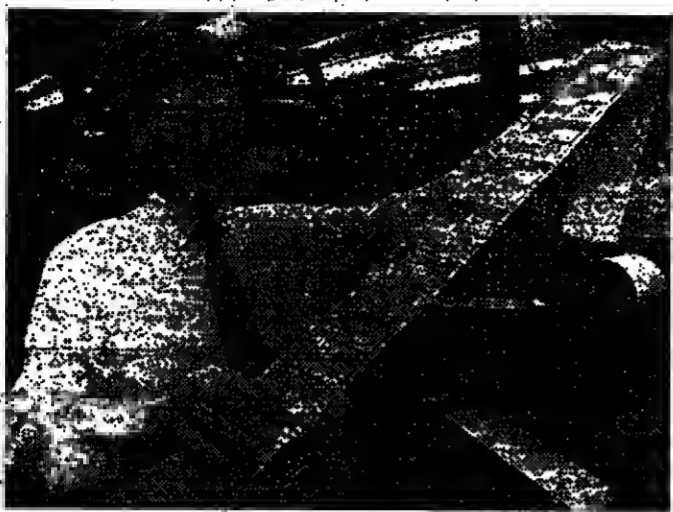


MANAGEMENT: The Growing Business

Closer links with Paris; and more research into the US

Charles Batchelor takes a second look at Labelking's export efforts

Chris King, managing director of Labelking, a south London printer of adhesive labels, has been working on his plans to break into markets on the Continent since his first meeting with John Drury, an export development adviser from the London Chamber of Commerce.



Chris King: receiving information and help from a DTI adviser

The owners of the French label printer with which King hopes to establish a joint venture in Spain have visited Labelking's Harne Hill factory and have agreed to carry out joint research of the Spanish and Portuguese markets for adhesive labels.

"They were not as far ahead with this as I thought they would be," says King. "We have agreed we will each carry out research and compare notes in June."

The French company, which is based in Paris, is run by two partners in their late 40s, employs about 45 people and produces sales of about £4m. This compares with Labelking, which employs 32 people in Harne Hill and Boston, Lincolnshire, and which has projected sales this year of £4.5m, mostly to food manufacturers supplying the big supermarket chains.

King is also still in touch with some of the 30 French companies which responded to a letter he sent out last year when he first launched his campaign to break into mainland Europe and he is cultivating these contacts so as not to restrict his options to just one partner.

But links with the Paris company are growing closer. Both sides have agreed to exchange their production managers for a few days and may also swap sales staff.

"There is no signed agreement but we get on well," comments King. At his second meeting with King, Drury produces a Department of Trade and Industry report on consumer markets in Spain. Drury, who worked overseas for GKN, the engineering group, for many years, is one of a team of 31 advisers who have been taken on by the DTI to help growing companies export. The advisers work through local organisations

such as the London Chamber of Commerce.

The two men discuss what information Labelking needs if it is to break into the Continent and into the US, where King also sees good prospects. King says he needs a complete list of printers in France, Spain and the US with details of their turnover and the specific products they make.

Drury says he will look at the DTI and London Chamber databases. Information on the US may come from a commercial database but that could prove expensive.

The two men turn to the subject of the US. King has already carried out quite a bit of reconnaissance and has hit upon the south-eastern states as a potentially lucrative market. A population of about 30m people is served by only five or six printers, none of them very big, says King.

But breaking into the US market will mean Labelking almost certainly having to increase its product liability insurance cover to take account of the more litigious business climate in the US. For example, the company will have to take account of far tougher regulations governing matters such as the contents of adhesives used on food products.

If King's plans for a factory in Spain fall through, Conti-

mental markets could, at a pinch, be served by exports from the UK. But the US is too far away for Labelking to supply from Britain. Label printers have to work closely with their customers and are expected to deliver very quickly. A few years ago customers would be satisfied if they got their labels within two weeks; now many expect delivery within two or three days.

King is considering two options for getting into the US market. He could start supplying US customers from Britain for the first few months to build up a relationship with them. Once he had sufficient business to justify opening a US factory he would switch production across the Atlantic.

But the high cost of air freight sea delivery would be too slow - would mean that exports to the US from Britain would inevitably be loss-making.

"Even so it would be cheaper to supply at a loss from here for three to six months than to instal a machine in the US which stands idle while we get the business," comments King. The alternative strategy is for Labelking to form a joint venture with an existing US printer, possibly a company run by someone approaching retirement who would stay on on a profit-sharing basis for a few years.

For either of these schemes to work King first has to cost his labels for delivery in the US, suggests Drury. He wants King to draw up a dummy price list for US customers.

This suggestion throws King slightly. "It's not a standard product," he counters. "We would have to look at the market, at the major supermarkets, and see what advantages we could offer. We would have to work out what our price would have to be in, say, Tampa, to gain business."

Drury persists. "Produce an average order with a packing specification," he says. "Give that to an air-freight broker to work out a price for delivery to you, Miami, in sterling. Then convert that to dollars at what you think is a safe rate. Make the freight forwarder work for you. Most will do your export documentation for you. Until you start talking delivered language people will be polite but they will have nothing to go by."

King must also make sure that he gets paid for deliveries, Drury says. Customers in the US will expect to deal on open account - that is, Labelking makes delivery and is then paid within the agreed 30 or 60 days. This method is convenient for the customer but leaves the supplier with no guarantee that he will be paid, so customers must be vetted carefully first, Drury warns.

"This is a new area for us," says King. "This is not something I have given a lot of thought to. Our UK customers are big companies and the last bad debt we had was for £3,000 two years ago."

After the second 1½ hour meeting King's plans for selling overseas appear to be firming up in response to Drury's practical suggestions. The two men agree to meet in a month's time.

The export development adviser scheme involves an initial free meeting with the adviser followed by as many hours, charged at £15 an hour, as both sides feel are needed. The first article in this series appeared on May 2. Future articles will follow Labelking's progress into exporting.

Local authorities hampered in their attempts to help

By Charles Batchelor

Local authorities around Britain provide a wide range of services for the growing business but serious shortages of funds and of land and premises prevent them from playing a more effective role.

This is the conclusion of a survey\* of more than 100 county, district, borough and city councils carried out by accountants Deloitte Haskins & Sells and Business in the Community, the umbrella organisation of the 500 enterprise agencies in Britain.

Seventy one per cent of the authorities polled provided information and advice services for growing firms, including specialised help agencies; 70 per cent provided land and premises while 46 per cent backed their local enterprise agency.

Financial help in the form of wage subsidies, loans and rent and rates relief was provided by 45 per cent of authorities;

Local authorities hampered in their attempts to help

By Charles Batchelor

training or liaison with training agencies came from 37 per cent while 23 per cent carried out promotional or marketing activities for their areas.

The main difficulties faced by the authorities in providing help were a lack of finance; government controls on capital spending which prevented them spending the proceeds of the sale of council houses; and a shortage of manpower to pursue economic development activities.

Just over a quarter of councils said they faced a shortage

Local authorities hampered in their attempts to help

By Charles Batchelor

of land on which to build workshops for rent.

Even in economically depressed areas, pressures to use the land for more lucrative developments mean little is available for the smaller firm.

The councils also saw the government role as constraining rather than encouraging economic initiatives, partly because the councils had no statutory powers to carry out economic development and no formal recognition of their role in this field.

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over the role of the various agencies involved in economic development at a local level.

To ease these problems the authorities suggested relaxing spending controls to allow investments in reclaiming industrial land and providing new buildings.

They also want action taken to increase the supply of industrial land. This would include stronger planning policies, a requirement for vacant premises to be reported through the rating system and a change in the rules to promote the joint public and private sector development of land owned by local authorities.

The various agencies involved in economic development should co-operate more closely, possibly by bringing government, local authority and enterprise agency offices under one roof in Business Development Centres, the councils urged.

\*Local Authority Assistance to Growing Business.

Small firms encouraged to tender

Attempting to sell to governments can be a nightmare for the growing company. Tracking down the right official can take hours on the telephone while filling in the official forms can defeat all but the most determined.

Many businesspeople simply assume that the government only deals with large suppliers. It is to overcome these problems and misconceptions that the Government is making greater efforts to persuade its own purchasing officers to buy more from Britain's small businesses. Some government departments such as the Ministry of Defence have been encouraging small firms to tender for contracts for the past three years but more needs to be done.

John Cope, small firms minister, last week launched a new booklet entitled Think Big Buy Small to help the government's 8,000 purchasing officers deal with small firms. He also unveiled a revised and expanded version of Tendering for Government Contracts which advises small business owners on how to win government orders.

The Government estimates that individual departments spend between 2 and 25 per cent of their budgets with small firms though it does not yet have the management systems in place to measure this figure accurately. Non-military spending by government departments amounts to £6.5bn a year while the Ministry of Defence spends £5bn a year - £1bn of which is believed to go to

small companies. The Government does not have a rigid definition of a small firm though a manufacturing company with fewer than 200 employees is usually regarded as "small". The Government was not out to promote small firms if it meant taxpayers money would be wasted, Cope says but in many instances small businesses could provide better value for money.

In dealing with government departments, however, small firms face particular difficulties. They rarely know which department will be interested in their products or how to find the right contacts. Small firms are put off by the need to fill in forms. Purchasing officers, meanwhile, often prefer to stay with a known list of large suppliers because this makes their lives easier. Sim-

Small firms encouraged to tender

plified forms of "model" contracts are currently being devised.

But progress is being made. The Department of Employment, which spends 10 per cent of its annual procurement budget of £50m with small firms, used a small Bradford-based company to supply some of the forms it needed. This company was not only cheaper than the previous supplier but it made monthly deliveries which reduced the amount of storage space needed in local offices and resulted in dramatic savings in rental costs. Both booklets are available free from Department of Employment, Small Firms Division, Steel House, Tolly Street, London SW1H 9NF. Tel 01-273 4746.

Charles Batchelor

In brief...

A series of courses designed to help the small fashion business is to be held at the London College of Fashion. The courses, which will be held in the evenings, will look at subjects including Successful Fashion Retailing, Promoting Your Products and Computers in the Fashion Business. A separate course is also to be held on the theme of Marketing in France.

Contact Judy Bhojani: Tel 01-487 2825.

A directory of training and advisory services for small businesses in Scotland has been produced by Strirling University's Scottish Enterprise Foundation.

The Enterprise Directory, which will be updated annually, provides information on services offered by local authorities, universities and colleges, government agencies and local enterprise trusts. Available from Small Business Resource Centre, Scottish Enterprise Foundation, University of Strirling, Strirling FK9 4LA. Tel 0786 73171. £9.95.

available through a private view data service but it has now been made available on disk.

BISON, which is intended for small business and employment advisers, allows users to think about self-employment, to obtain information about the need to see a business counsellor and to go over issues raised during training at the user's own speed.

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## TECHNOLOGY

# Scientists at Oxford University, backed by funding from the UK Government and pharmaceutical companies, are laying the research foundations for a new generation of anti-viral drugs

The Virus Molecular Biology Group hopes to rise to one of the greatest challenges of late twentieth century medical research - to develop medicines that work against viruses as effectively as antibiotics (discovered in the 1940s and 1950s) kill off bacteria.

The Oxford researchers aim at first to produce a treatment for Aids and for virally induced cervical cancer. The technique could be extended later to other viruses, ranging from those causing fatal tropical fevers to influenza.

The 20 scientists in the group, directed by the wife and husband team of Susan and Alan Kingsman, are laying the foundations of a new way of safely "switching off" viruses after they have invaded human cells. The group has £1m funding over four years from Glaxo (Britain's biggest pharmaceuticals company), British Biotechnology (a small venture set up in 1986) and the Government.

At present there are very few effective anti-viral drugs - and they tend to have unpleasant side effects. The best known example is AZT, which prolongs the life of Aids patients but at the same time damages their red blood cells. The reason why viruses are so difficult to tackle is that they bury themselves inside human cells and use the cells' metabolic processes to grow and reproduce. Any chemical that attacks the virus is liable to damage the host cell too.

Bacteria, on the other hand, are independent cells with their own metabolic pathways. Antibiotics can therefore kill bacteria relatively easily without destroying the human cells around them.

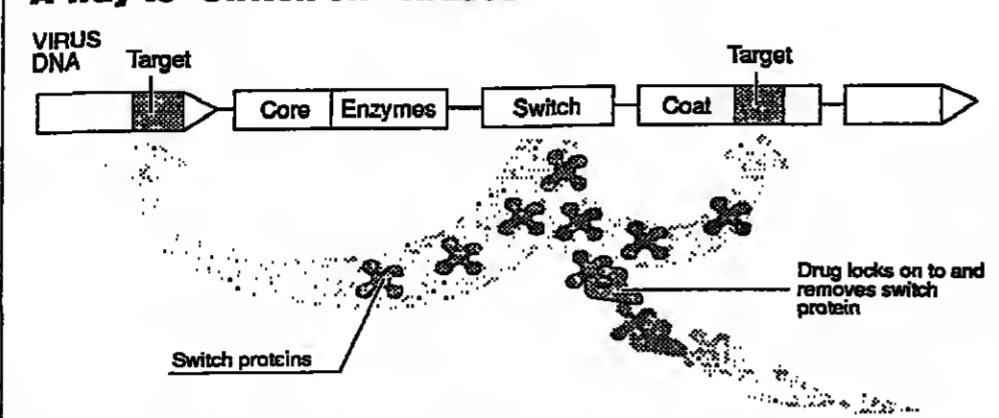
The Oxford group's research goal is to answer the question: how do viruses invade human cells and dominate them to cause serious diseases? They are concentrating on two types of virus which insert their own genetic material (DNA) directly into human chromosomes. One is HIV, which causes Aids, the other is papilloma virus, which causes warts and is associated with cervical cancer.

The scientists are using the latest techniques of molecular biology to isolate individual genes and their protein products from HIV and papilloma virus. They have found a way

# Researchers isolate the enemy within the human cell

Clive Cookson reports on a potential breakthrough in the field of anti-viral medicine

## A way to "switch off" viruses



The Oxford group aims to develop a drug that will immobilise the "switch proteins" before they can activate the "target genes" in the viral DNA. The virus will then be unable to make the enzymes and the core and coat proteins which it needs if it is to grow and reproduce.

to force a viral gene to make large quantities of its protein in a yeast cell. The protein is then purified and inserted into another living cell where its effects can be studied in detail - the frog's egg is particularly convenient.

The Kingsmans are achieving the first promising results with this technology. They have purified a protein, known as TAT, which plays an important role in the life cycle of HIV. By measuring its effects in different cells, they are beginning to identify TAT's essential properties.

The main focus of the Oxford research is a class of viral protein known as "switch proteins". Its role is to recognise and switch on "target genes" in the virus. This has to happen before other genes can be activated to produce core and coat proteins (which provide the structure and shape of the virus) and enzymes (which enable the virus to grow inside its host cell).

Without its switch proteins, the virus is inactive. Once the

Oxford scientists understand exactly how these proteins work, they and their Glaxo and British Biotechnology colleagues will design drugs with the right molecular structure to lock on to and remove the switch proteins of HIV and papilloma virus.

The group has powerful molecular modelling technology (a Vax computer from Digital Equipment linked to Transputer chips from Immos) for designing new compounds. But it will also screen chemicals from natural sources, such as plants, to see whether any of them block the switch protein in genetically engineered tests. New techniques of drug

delivery may also be required to get these chemicals into human cells. Alan Kingsman says that the resulting intracellular drugs would be so specific that they would react only with the switch protein. All other chemicals in the cell would be unaffected and so there should be no side effects.

The absence of long-term side effects would be extremely important in an anti-HIV drug, because a patient might have to continue taking it for life to prevent symptoms of Aids appearing, he says. "Aids

hurries itself in the human chromosome and it will be extremely difficult to find a way of getting it out of there. It is easier to design drugs to stop it reproducing itself from that genetic template."

The Kingsmans' approach is different from that followed by most anti-viral researchers, who are concentrating on chemical building blocks of DNA called nucleosides. The common research strategy is to make "nucleoside analogues"

- false building blocks which are taken up by the virus's growing DNA chain and then jam up the growth process by interfering with a key enzyme. The trouble with drugs based on nucleoside analogues, such as AZT, is that they are liable to interfere with other processes in the host cell, causing side effects. They are also less effective in stopping the virus than the Kingsmans expect drugs based on switch proteins eventually to become. Even the most successful drug of this type, acyclovir, which was developed by Wellcome to treat herpes viruses, is not as active as doctors would like.

Most of the government funding for the Oxford project is being channelled through the Link programme, which promotes research collaboration between universities and industry. Altogether 360 Link projects are under way.

According to Peter Baker, head of the biotechnology unit at the Department of Trade and Industry, the collaborative arrangement between Glaxo and British Biotechnology is exceptional for two reasons. "It is unusual for a large and a small firm to work together like this, because the small one is afraid of being gobbled up. It is also unusual for two drug companies to collaborate. Pharmaceutical research is a very secret world and collaboration is almost counter-cultural."

The terms of the agreement between the two companies and the Oxford research group are complicated. The companies are putting up the same amount of money - £200,000 each over four years - but Glaxo will have first claim on the results of research applying to papilloma virus and British Biotechnology will have priority over the HIV research. In addition, there will be a common core of research which the companies will have equal rights to exploit.

Although the Oxford research is aimed in the first instance at HIV and papilloma virus, the results should provide useful ammunition against other viruses for which there is no either an effective treatment or a vaccine.

Some virologists believe that there is a serious risk that another new virus - like HIV but more infectious - will sweep out of the tropics and cause a world-wide epidemic.

Even if such a melodramatic scenario fails to come to pass, the Oxford research could play a vital role in the search for cures for diseases as mundane, but ubiquitous, as the common cold.

## Quick prints from a TV screen

HITACHI Denahi (UK), part of the Japanese electronics company, has launched a colour video printer which it believes will have applications in retailing, security and medicine.

The VV-25E produces a clear colour print of images seen on a television or computer screen. Each print on plain paper costs 0.5p.

Hitachi Denahi foresees point-of-sale applications, allowing shoppers to take away a picture of something being promoted on the television monitor. The system could also be used to take prints from a security video camera for distribution to the police, or to capture "sniffs" from medical television cameras during operations.

The user simply presses a button when he or she sees an image that he wants to preserve. A frame of the television signal is captured, stored and processed so as to drive the print mechanism, which is a thermal dye transfer system.

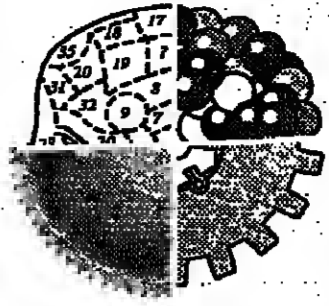
Any number of copies can be made by re-reading from the store. Each print takes 110 seconds to appear and measures 77 mm by 57 mm. If desired, four smaller pictures per sheet can be printed. Adhesive backed or special "iron on" paper can be used for mounting the pictures on passes or badges.

## Optical fibre to find hot spots

BATTELLE, an international research organisation, is working on an optical fibre temperature sensor that can be used in a high-voltage environment. Normally this would make conventional electrical methods either unreliable or difficult to implement.

Since optical fibres are neither electrical nor made of metal, nearby high voltage conductors cannot induce unwanted currents that interfere with temperature measurement.

The fibre sensor, being developed for the Electric Power Research Institute in California and Consolidated Edison in New York, will be able to locate hot spots in big public power generators to within 100 mm. Operators then make adjustments to



## WORTH WATCHING

Edited by Geoffrey Charlish

avoid a catastrophic failure. Light pulses moving down a fibre are partly scattered along the fibre wall and some of the light is sent back to the source. The degree of scattering depends upon what is beyond the fibre surface and Battelle is using a special polymer cladding which is temperature sensitive.

If a hot spot occurs in the generator's conductors, increased scattering occurs at that point. The light pulses are partially reflected to give a detection system similar to radar.

The sensor could also be used to spot incipient cable faults and fires in large buildings, through a plan of the building displayed on a computer screen.

## Quest for CD-I standards

PHILIPS, the Dutch electronics group, is joining forces with the Japanese electronics companies, Matsushita (Panasonic, Technics) and Sony, to promote and market a technology called compact disk interactive (CD-I).

CD-I is the next stage beyond CD-Rom (compact disk read only memory, which stores data and graphics only). It allows sound, text, still images, computer graphics and limited amounts of video to be stamped on to a five-inch optical disk, which can be accessed via a special player resembling a personal computer.

The disk does not simply play through, but is programmed so that questions can be asked, choices made and instructions followed via the screen display.

Wide markets have been predicted by Philips in entertainment, education and

the provision of information. But there has been a danger that major manufacturers might move in different software directions, so that one maker's disk might not be usable on another's machine. The tripartite agreement should avoid a repeat of the VHS/Beta standards confusion that arose in the early 1980s with video recorders.

Players are likely to appear on the market in the first half of next year and publishers, such as Rand McNally, Grolier and Time-Lia, are already preparing CD-I titles.

They can also be up to 80 per cent smaller and they operate from extremely low temperatures up to 150 deg C. The size of particles that the filters will remove can be as small as three microns (millionths of a metre).

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A NEW way to combat the computer hacker has been launched by Green Communications of the UK. Com-Lock, fitted between a PC and its modem, can cut off any caller who enters the wrong access code. After the hacker has tried 10 other codes, the system blocks the line completely for 30 minutes.

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# Der Meister und Margarita

PARIS OPERA

With its surreal mixture of diabolic satires, biblical narrative and political satire, Mikhail Bulgakov's *The Master and Margarita*, completed in 1928, would seem a tempting and at the same time highly ambitious starting point for an opera. But York Höller's version, staged by the Paris Opéra at the Palais Garnier, was unveiled on Saturday, is at least the fourth composer to launch an attempt on the novel — Sergey Slonimsky produced an opera based on the first part in 1972, only five years after the book was first published in the Soviet Union, both Nicholas Maw and Nigel Osborne were thwarted in their attempts to complete the task. Höller's opera is a substantial undertaking, and its successes just about outweigh the shortcomings.

Höller has prepared the text himself, distilling the main elements of the novel and inevitably having to jettison some of the most vivid snippets in the process — the Devil appears in Moscow, spreading death and insanity everywhere; only the Master, a novelist incarcerated for writing a novel about Pontius Pilate, and his mistress Margarita are spared from the destruction, because of his devotion to his art, she for her selfless devotion to him.

The two lengthy acts and prologue (including interval) the opera lasts almost four hours) preserve the work's

three most obviously "operatic" set pieces — the magic show, in which the Devil, Woland appears with his retinue at a variety theatre and corrupts and humiliates an audience by exploiting their basest instincts, Margarita's flight through the skies of Moscow, to exact revenge on her lover's persecutors, and the Satanic ball at which Margarita appears as Woland's guest and consort, her ultimate act of sacrifice to save the Master.

Judging Höller's precise fidelity to the novel, though, was made infinitely more difficult in Paris by Hans Neuenfels' staging (sets by Reinhard von der Thannen), which in shifting the action from the 1930s to the Moscow of the present, managed both to misconceive the crucial scenes — this was surely the timest, least depraved Satanic ball on record — and to apply heavy layers of sentimentality, confusing glasses, and anyone really need to insert of Stalin to understand the point of a fable about the Devil unleashed in Moscow in the late 1930s? Every orchestral interlude was accompanied by a similar film sequence — some, such as Margarita's flight are specified in the libretto, others, quite imperceptible were not, and the task of teasing out what is intrinsically a complex and allusive scenario was made substantially more difficult. Bulgakov's imagery is full of savage, extravagant

humour; Neuenfels' jokes were heavy and didactic, and whether a less interventionist director would find a closer match with the vertiginous qualities of the original remains to be seen.

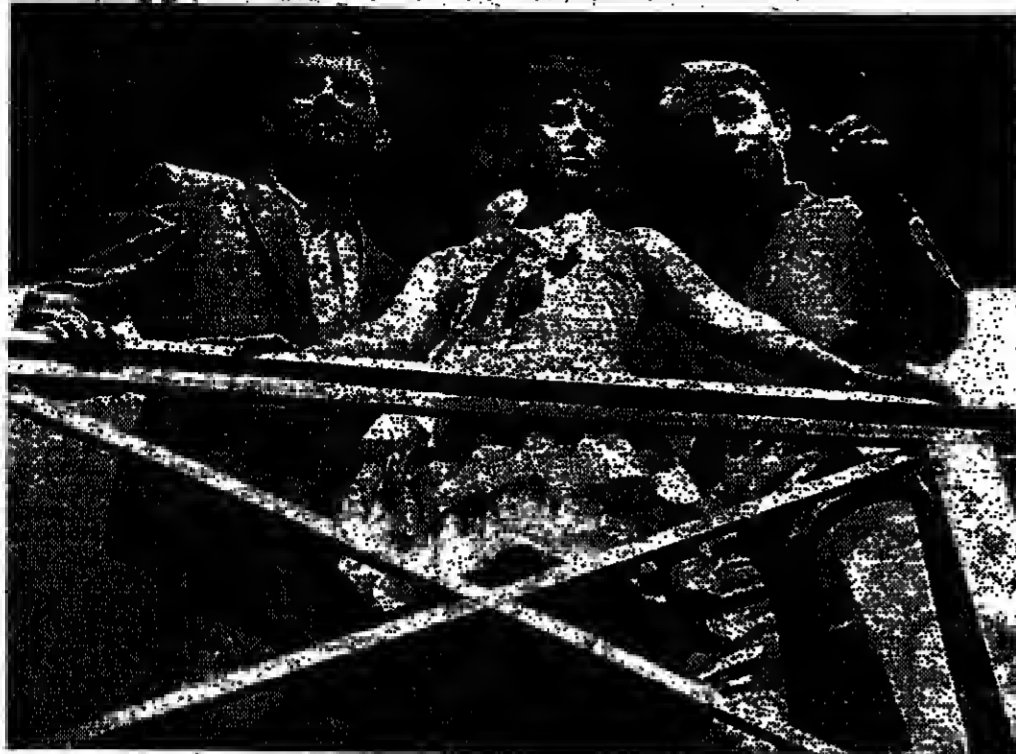
But Höller's music was faithfully realised, committedly sung and superbly conducted by Lothar Zagrosek. A large orchestra is matched by a four-channel prerecorded tape and the finest moments in the score are achieved when Höller interweaves natural and synthesised sounds; the level of invention in the last half hour of the opera, as the Master and Margarita journey towards tranquility together, is memorably sustained, and there the composer's technique of assigning to each character a unique *forme sonore* seems thoroughly vindicated. Earlier the music is more uneven: the first act culminates in a manic gallop when the magic show collapses in mayhem, and the second act is larded with pastiches and quotation — the Satanic ball is a parade of styles from Renaissance dances to the Rolling Stones — "Symphony for the Devil," naturally — not quite strong enough a mixture to carry the evening's climax.

The use of quotations inevitably suggests parallels with *Die Soldaten* and Zimmermann was one of Höller's teachers; that work and *Lulu* are the antecedents of *Der Meister und Margarita*, and Berg seems to have been the model for much of the vocal writing, though

that is at times rather too even and inexpressive. There are enough good things about the score to make further productions more than desirable — given a sensitive sympathetic director, and perhaps with 30 minutes trimmed from the running time, the work could come close to realising the some of Bulgakov's black magic in music.

Certainly many of the performances by the Paris cast deserve the widest possible exposure — in the title roles Roland Hermann and Karen Armstrong seized what opportunities the production allowed to expand those profoundly complex and enigmatic characters, and in the closing, haunted moments of the opera real emotion surfaced for the first time. James Johnson's Woland was confidently sung, but a little bland and sometimes shaded by the vividness of his retinue, in which Elizabeth Laurence as Behemoth, the giant, malevolent cat, and Nicholas Folwell as a punk Koroviev, the devil's Mir Fixit, were outstanding. Ian Caley was the young poet Biezdomny, a beautifully conceived and realised portrayal, and Richard Angas a wonderfully ironic Pontius Pilate. Enough British singers were involved to suggest that a London production, sung in English, would not be unfeasible and would almost certainly be worthwhile.

Andrew Clements



Leo Andrew, Lesley Moore and Tom Griffin

## Company

PALACE THEATRE, WESTCLIFF

*Company* was the first of Stephen Sondheim's collaborations with Harold Prince in the 1970s and it remains one of the outstanding musicals of recent times. It is bitter, sardonic, smart, painful and funny. It is also, now, a fascinating but deeply New Yorkerish piece of work. To see it spiritedly revived at the superbly refurbished Edwardian Palace Theatre at Westcliff-on-Sea in Essex is to enter both another age and another country.

A New York bachelor, Robert, or "Bobby baby," is given a surprise 35th birthday party by five pairs of his married friends. They worry about his solitude while supplying plenty of evidence with their own problems as to why he might be better off staying single. George Furth's smart and witty book is based on a series of playlets he wrote that are like expanded cartoons in the New Yorker magazine.

Bobby reckons middle-age is breaking up this gang of his; while his relationships with various single girls — an aristocrat, a post-hippie eccentric and a milkop out-of-towner — are further undermined by an intensifying urban sense of angst and alienation.

The rapid song delivered by one of the girlfriends, "Another Hundred People," conjures the

hectic human traveler in a city of strangers where Bobby is a still point of quizzical uncertainty. I remember how Bobby's final emotional apology, "Being Alive," was blazingly sung by Larry Kert as an ambiguous plea for the dignity of aloneness and the impossible comfort of friendship. It also became a gay, weepy rallying cry, one of Sondheim's fullest expressions of the misogyny that lurks everywhere in his earlier musicals.

That impact was partly compounded by the song immediately preceding it, in which Elaine Stritch gave one of the modern musical's greatest one-song performances in her toast to the "Ladies Who Lunch," an electrifying display of acerbic, lush, rattle-rousing campiness.

In not aspiring to these dizzy heights, the Westcliff revival by Christopher Dunham achieves something quite new and interesting. A great musical, which has hardly been revived since 1972, is honoured. And Leo Andrew, who resembles Kenneth Branagh, invests Bobby with a convincing heterosexual male charm. His vocal is strong and true, his social condition a symptom of pathological social indifference and sexual bad luck.

The "Me-ness" of the cocktail party circuit is for once shattered by the ensemble joyfulness in "Side By Side," whose bat and cane routine, we now see, prefigures *A Chorus Line* (the late Michael Bennett, choreographed both shows), as do the pockets of confessional psychology that expand within a frame-like structure of apologies, recriminations and exhortations while awaiting the birthday boy.

The Westcliff set by Richard Baker is a rudimentary affair, suggestive in its mottled silver grey finish, of the ground floor interior of the Empire State Building. The seven-piece band is well led from the keyboard by James Simpson, with fine regard for swing, tempi and the general musical sizzle. Vocal standards vary, but Mr Andrew is in good company with Claire Rimmer's elegant bitch and Suzanne Rigden's Barcelona-bound air hostess.

The production is a credit to Westcliff and its delightful theatre, where the decorative plasterwork has been sensitively restored and where, on either side of the proscenium, you can still see the panels and sight screens once employed in the old variety acts.

Michael Coveney

## Suffer surrealist Fools gladly

William Packer reviews two exhibitions at the Tate gallery

The painter, Cecil Collins, who has a retrospective exhibition at the Tate (until July 9), is now, at 81, something of a cult figure. He stands in a long tradition in British painting that goes back through David Jones and Stanley Spencer, by way of Burne Jones and Rossetti, to Samuel Palmer and William Blake for the mystical, the spiritual and transcendental. This opposed to the purely formal considerations of modernism, he has put himself beyond the pale of critical orthodoxy to be not so much berated, as ignored.

Collins has always been his own man, an outsider quite as much by preference as instinct. As an inspirational if idiosyncratic teacher, he won both the unwavering support of his students and the no less committed opposition of his paymasters — a battle he relished with fine grace. He is a brilliant polemicist in his own cause, suffering none but his own Holy Fool gladly. He has never been anything but present, visible and active in the British art world, his work shown regularly in major galleries, collected and admired.



"Fool and Angel Entering a City" by Cecil Collins: mixed media on board, 1969

This show provides the chance to see the work whole and in a true light. And suddenly, though no less singular, the work seems so much less wilful and eccentric than once it did, comfortable in its changing setting: of surrealism before the War, then of British neo-romanticism through the 1940s and 1950s and even of abstract expressionism in the 1960s. The sense is not of Collins following any prevailing style or mood but rather of sitting up and taking notice.

In the 1980s, it might be David Jones or Ceri Richards, Paul Klee or André Masson; after the War, Dalí or Ernst; in the 1960s even Pollock and de Kooning. And always, from first to last, there is the present example of Picasso in both mood and substance, from the saltimbancha of rose period symbolism to the simple images of female heads of Picasso's old age. The very last image in the catalogue, a small

gouache study of 1983 of the head of a Fool, is as characteristic of Collins as anything in the show, yet might be straight from one of the early sketchbooks of Picasso.

He was and remains surrealist, but at the outbreak of the War he moved from the overt and generalised surrealism of his early years to something more personal and coherent and the images by which we know him, of the Angel and the Fool, Sybil and Seer, long hinted at, finally crystallised in his imagination.

The Holy Fool, whether saint, mystic or true artist, is the archetype that no work obsesses him. For to him the concern of the artist, as of the visionary and the saint, is the revealed and transcendental truth that may only be tested by common, sublimary experience. For the true work of art, in the heightened physical awareness it affords of our

mortal predicament, is a kind of prayer.

Yet, so Collins would say in the exact meaning of the word, we are now too sophisticated, and it is only by the holy simplicity and innocence of the Fool that that eternal truth is to be discovered: "Blessed are the pure in heart, for they shall see God."

So Collins' Fools walk their secret world, dreaming of Paradise and fair women, with Angels singing in their ears, "voix loulaine, monde secret." None of the paintings are especially large; many are small, exquisite and particular. Not everything is successful — the imagery sometimes near ludicrous, the drawing and painting uneven — but the high seriousness and ambition of the attempt is indeed consistent and commands respect.

The companion retrospective at the Tate is of the sculpture

of another distinguished veteran of British art, the Ulsterman, F.E. McWilliam (sponsored by Ulster TV). He too has shown regularly over the years, but such has been the acclaim enjoyed by succeeding waves of British sculptors that he has been somewhat overlooked. In reminding us of the substantial achievement of an artist not perhaps in the front rank, but thereabouts, the show is welcome.

McWilliam was, in the 1930s, a follower and associate of Henry Moore and here we see just how close he was to him in both scrupulous technique and his whole vocabulary of images and forms. But he was, as it proved, the more thorough-going and persistent surrealist, and yet the more various and variable artist. "I have never set any store by consistency," he says: "life is too short for restrictive practices."

So he has moved, as we

move through this show, from one surreal preoccupation to another, modelling and carving in stone or wood, abstract and figurative as the idea of the moment took him. Some of the results are odd, some funny and some clearly unsuccessful. But running through it all is a thread of powerfully suggestive and authoritative work that clearly belies his declared inconsistency, if not of intention, at least of achievement. What is most intriguing and encouraging is that the best feeds closely of the worst, group by group, idea by idea, to show that the commitment is all, and the Devil take it if it does not come off.

The disembodied figures, torsos and crossed legs, the dismembered heads and faces, a nose and eye and lip floating in space, are at once the most typical in this, and the most memorable. He is still the surrealist he always was.

## Royal Concertgebouw Orchestra

BARBICAN HALL

This was the first occasion that the Concertgebouw Orchestra has come to London with the epithet "Royal" added to its name and it was a visit made with rather less than regal haste. A late arrival at Gatwick due to a delayed flight, then straight into the afternoon concert at the Barbican, apparently without setting, and back to Amsterdam before evening.

This is the kind of schedule that gives music-making in the 1980s a bad name and it says much for the resilience of the players that they should have graced the occasion with solo work as eloquent and ensemble as tight as they did. The concert was in the "Great Orchestra" series and the Royal Concertgebouw is unarguably of that number, able to respond to any set of circumstances with total assurance.

On this occasion they were

teamed — for the first time in London, I believe — with Maurice Jansons, the young Soviet conductor who is carrying the Mravinsky firebrand for the next generation. As we know already, a Jansons concert always glows with intensity, but nothing could quite have prepared the audience for the ferocity with which he set the Concertgebouw ablaze in this programme.

It opened with the First Piano Concerto by Brahms, a reading of epic proportions. It is difficult to think of another performance (perhaps Curzon and Szell on record) where the heroic struggle of the first movement seemed as monumental as it was here, with the soloist, Stephen Bishop-Kovacevic, being called upon to find playing of an immense, muscular power. In the Adagio a marvellous calm prevailed; but even in the finale, where it

is generally accepted Brahms relaxes into joviality, battle was resumed and the music surged passionately ahead once more.

After the interval the Second Symphony of Sibelius was no less aggressive and challenging. Again there were doubts: the orchestra then sounded overblown in this notoriously difficult acoustic and there is no need for Jansons to whip up bogus excitement in the brass as often as he does. But for sheer intensity and a sense of Sibelius pushing the expressive power of the symphony to breaking point, this performance has few equals. Those indulgent old records by Bartoli and Karajan will have to stay in the cupboard for a while, until the physical impact delivered here has receded.

Richard Fairman

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### ARTS GUIDE

#### OPERA AND BALLET

##### London

Royal Opera, Covent Garden: The latest showing of the splendidly exotic Andrea Serban production of *Furber's Gift*, further produced by Stephen Barlow, but the cast (Olivia Stapp, Lando Bartolini, Yvonne Kenny) is uneven. *Furber's Gift*, celebrated Glyndebourne production of *Albert Herring* has transferred triumphantly well to this London Theatre. Roger Norrington's conducting and the cast — Pauline Hensley, Felicity Palmer and John Graham-Hall in the title role — are all first-class.

English National Opera, Coliseum. The newest world premiere at the Coliseum is David Blake's comic chamber opera, *The Member's Gift*. Further production of Eugene Onegin; and Don Giovanni in Jonathan Miller's dark, handsome staging, with Steven Page in the title role.

##### Paris

Grand Palais Des Champs Elysees. Bejart Ballet Lausanne presents in the *Le Dessin en Revolution* the world premiere of 1788... at nous in alternation with choreography music by Theodorakis, Wagner, Ravel and African folk music (46257610).

Opéra. York Höller's world premiere of *Le Maître et Margarite*

conducted by Lothar Zagrosek/John Burdick in Hans Neuenfels' production is inspired by Mikhail Bulgakov's novel describing the Devil on the loose in Stalin's Moscow. (47252571).

Arènes de Jarcy. Carmen conducted by Lawrence Foster in Pier Luigi Pizzi's production with the Monte-Carlo Philharmonic Orchestra and Teatro del Maggio di Lucca (bookings 49461221, info 43420606).

Théâtre des Champs Elysees. *The Member's Gift*. Further production of Eugene Onegin; and Don Giovanni in Jonathan Miller's dark, handsome staging, with Steven Page in the title role. (47252571).

Vienna. The week's performances include *Chouschischtscha*, conducted by Claudio Abbado; *Toxos*, conducted by Eugene Onegin; *Stavro*, conducted by Ion Marin; premiere of new production of *Die Entführung aus dem Serail*, conducted by Nicolas Harnoncourt; *Il Viaggio a Reims*, conducted by Gianluigi Gelmetti; Ballet: *Orpheus*, conducted by Ulf Schirmer (61444, ext 2890); *Volksoper. Operas this week: Das Land des Lächels, Ein Walzertraum, Die Zerkowmessen, Ein Nacht in Venedig, Mignon, Die Zauberkiste* (51444, ext 2893).

Rome. Teatro Dell'Opera. Francesco Cilea's *Adriano Lecocquer* produced by Marco Bolzonini and conducted by Daniel Oren. (4617455).

Milan. Teatro Alla Scala. In the series

Music of our Time, a new work by Giacomo Manzoni, *Doktor Faustus* (282126).

Teatro Lirico. The Welsh National Opera's production of Verdi's *Falstaff*, by Peter Stein, the conductor is Richard Armstrong with the Welsh National Orchestra and choir (888418).

Florence. Teatro Della Pergola. John Cox's production of Mozart's *Idomeneo*, designed by John Otto and conducted by Myung-Whun Chung, with Dano Rafanelli (Idomeneo), Delores Ziegler (Idamante), Mariella Dova (Ilia) and Carmen Rossy (Electra) (875831).

Berlin. Oper: Theater des Westens. *Rigoletto* in Hans Neuenfels' production features Angela Denning, Ingvar Wixell in the title role and Victor von Haebler, also Leonard Bernstein's opera *Condé*.

Cologne. Opera. Benito di Bella repeats his much praised performance in the title role in *Rigoletto*. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas, all produced by him. This week's performances include *Don Giovanni*, *La Cenci* and *Il Signor Bruchino*.

Frankfurt. Opera. *Der fliegende Holländer* has Simon Estes outstanding

### May 19-25

in the title role, Lisbeth Balalew, William Cochran and Harald Stamm. *La Bohème* returns with a star cast led by Flamma Lioz d'Amico. *Diálogo y Aeneas* rounds off the week.

Munich. Opera. This week's highlight *Le Nozze di Figaro* stars Margaret Price. *Il Barbiere di Siviglia* will have its premiere this week with Julie Kaufmann. *Rigoletto* has a first rate cast led by Francisco Araiza, Mariella Dova and Juan Pons.

Bonn. Opera. A concert version of *I Puritani* with Piero Cappuccilli. *Tannhäuser* stars William Johns. *Arlecchino and Naxos* cast is led by Helena Doese.

Amsterdam. Muziektheater. Netherlands Opera production of *Simon Boccanegra* by Verdi, directed by Stephen Wadsworth. (Sat, Tue, Thur).

New York. American Ballet Theatre. The week is given over to Sir Kenneth MacMillan's *Romeo and Juliet* and all-Tharp programmes of *Burn's Rush*, *Everlast* and *Quartet*. Lincoln Center Opera House (3262 6000).

Tokyo. Franco Youth Ballet. Ballet and Youth, 1788. Kan'ei Hoken Hall, Gotanda (Shinjy) (388 9989).

### SALEROOM

#### Porcelain prices up

English porcelain of the 18th century has seemed cheap for years, but the prices at Christie's auction yesterday suggested that it is at last catching up with English furniture and English pictures, which have experienced a considerable uplift in the past three years. The morning session totalled £241,771, with a modest 7 per cent unsold.

A Longton Hall tureen and cover made around 1755 and modelled as two tulip blooms with purple and yellow petals, was bought by this London dealer Graham and Oxley for £19,800, over twice the pre-sale high estimate, despite having some repairs and a small chip.

The same sun secured a squat baluster bowl and cover painted in the Japanese style and made at Bow around 1750, while another London dealer, Baskett & Day, paid the same price for a pair of Chelsea botanical circular plates, with crack and chip, of around 1755. Both had carried a top estimate of £6,000. Just to show the demand is spread around the factories, a Worcester oval butter tub of around 1754 with an oriental decoration, doubled its estimate at £17,800, while a Chelsea box and cover shaped like a leveret also sold well at £13,200.

Sotheby's was also offering works of art from a market which has suddenly experi-

enced a revival of interest — antiques. The morning session totalled £341,946, but less than 4 per cent unsold, but the top prices showed just how cheap such items can be. The top price was £7,700 paid by the New York dealers Royal Athena for an Apulian krater (vase with handles) made by the so called Baltimore painter to the 4th century BC. It is decorated with funeral scenes.

A Roman marble draped headless figure of a female, carved in the 1st century AD, sold for £7,150 while a Roman mosaic panel of around 200 AD, with a foliate motif, sold for £8,820.

Soccer is to be sold off — or rather Christie's in Glasgow, on November 14, is holding the first auction devoted to football memorabilia. Not surprisingly the lots have a Scottish flavour, most notably the medals awarded to Tom Maley, who was one of the founding players of Celtic in 1888-89. A silver medal he was awarded for being in the Celtic team defeated by Third Lanark in the Cup Final of the year, carries an estimate of up to £700 while a gold medal of 1892, when Celtic won the Cup, should make £500. Three footballs used in the Scottish Cup Finals between 1903 and 1905 are each expected to fetch £700.

Antony Thorncroft

FINANCIAL TIMES

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Tuesday May 23 1989

Questions at Blue Arrow

THE BRIEF corporate history of Blue Arrow, the employment services group founded by Mr Tony Berry...

the group's other business requirements. The larger transaction that has attracted controversy...

Terms of the loan

The terms are striking. Blue Arrow receives no interest until July 1991; and if anything goes wrong with the transaction...

The non-executive directors claim that the transaction was completed without their knowledge...

Further challenge

The non-executive directors of Blue Arrow promptly questioned both the rationale and the level of commitment to this project...

A muddled road policy

MR PAUL CHANNON, Britain's Transport Secretary, last week announced a big increase in planned spending on motorways and trunk roads...

That a scattering of private toll roads would significantly improve the efficiency of traffic flow is highly improbable...

A slow start

These arguments, however, may prove academic. Private roads, like other ideologically motivated proposals...

Thatcherite principles

Private roads have at least two obvious attractions for Mr Channon. They demonstrate the department's commitment to Thatcherite principles...

The Conservatives' launch yesterday of their manifesto for next month's European elections should have been a signal for the party to close ranks...

Neither Britain's European partners nor Mrs Thatcher's political opponents - Conservative as well as Labour - will allow the debate to subside.

The startling progress achieved in the programme to create a single internal market by 1992 has advanced the expectations of the European Commission...

That is a prospect from which Mrs Thatcher instinctively recoils. But few people in Brussels believe that the debate can be ducked simply to avoid a confrontation...

Mr Michael Heseltine, whose fight to secure a European partnership for the Westland helicopter company led to his abrupt resignation as Defence Secretary in 1986...

A "Thatcherite" challenger to Mr Heseltine has yet to emerge, but the 120 MPs who last week signed a Commons motion supporting the Prime Minister made it clear that her view will not go by default...

Her Bruges speech, delivered last September to rebut the grander vision delivered earlier that month by Mr Jacques Delors, the European Commission's president...

Of course, the politics, in both domestic and wider European terms, are more complex than can be caught in brief newspaper headlines...

On some issues the lines are clear. Mrs Thatcher, for example, dispelled once and for all yesterday any

Philip Stephens and David Buchan on differences of style and substance in the Conservative Party's attitude to the EC



Ready for the arguments ahead: Mr Jacques Delors and Mrs Thatcher

The battle for a market-led Europe

remaining illusions that she might bow to pressure from Sir Geoffrey and Mr Lawson to take sterling into the exchange rate mechanism...

The Prime Minister's view that she must defend British sovereignty against the threat of a bureaucratic, over-regulated, corporatist and, most alarmingly, socialist Europe finds few critics in the Cabinet...

Most also share Mrs Thatcher's belief that Mr Delors is attempting to use the creation of the single market as a smokescreen for the introduction of a panoply of supranational and bureaucratic controls...

Where paths diverge is over style. Sir Geoffrey, seen by Mrs Thatcher's aides as having "gone native" during his six years at the Foreign Office, wants patient rather than "foghorn" diplomacy...

Rows over trivia - such as last week's dispute over health warnings on cigarette packets can both blur the main issues and destroy months of painstaking work on more important proposals.

But the "UK versus the rest" syndrome is exaggerated by false impressions on both sides. When Mrs Thatcher rails against a "socialist super state"...

There is intense suspicion about Britain's European partners. Mrs Thatcher does not think that Bonn is

On Europe the Conservative Party is almost certainly facing a deeply divisive debate

eager to hand over sovereignty to Brussels, but she does suspect that Chancellor Helmut Kohl may not be resolute enough to resist the pressures from the rest of the Community...

This hurried line between disputes over style and substance is also apparent from Brussels. Mrs Thatcher has always seemed, to continental Europeans as much as to Britons to be the personification of her Government...

Officials also hedge at her suggestions that they are trying to slip new policies through by legal subterfuge. It is true that the Commission has a tendency to dress up proposals as "internal market" measures...

But increasingly the Commission has had to be quite candid in asking for new legal authority for its proposals. Nor can Mr Delors be accused of sleight of hand in stating that any step beyond strengthening the EMS in proposals for closer monetary integration would require formal amendment of the treaty...

A misleading picture, abetted by the British press's predilection for "Britain isolated" stories, frequently emerges of Britain being always in a minority of one. Mrs Thatcher was in such a position over cigarette packets. But France was similarly isolated last year over capital liberalisation, and

Germany frequently is on the internal market, company law and tax. Britain is part of an important, emerging pro-free trade majority among the 12 on such issues as banking reciprocity and Japanese cars...

Without that commitment, Mr Heseltine argues, Britain will again be left behind in a two-speed Europe. His most powerful analogy is one of a man alone in the desert - sovereign but powerless. In between, ministers like Sir Geoffrey appear to take the view that membership of the Community will give us sovereignty, but there is no need to anticipate a particular "crunch"...

Water to Japan

A quiet visit to Japan by leaders of the UK water industry is being arranged next month by Daiwa, the Japanese investment bank that jointly advises the Environment Department and the Water Authorities Association...

The delegation will be headed by John Bellak, the executive chairman of Severn Trent. Along with Roy Watts of Thames Water, Bellak is the most forthright advocate of privatisation among the 10 authority chairmen in England and Wales...

Bellak will be accompanied by Mike Hoffman, Thames group chief executive, Archie Ramsay, the group finance director of North West Water, and Alan Smith, finance director of Anglian Water. Together, they represent the four largest authorities, which have been more in favour than their smaller brethren of a proportion of the shares going overseas...

No decision has been taken yet on overseas sales and the Daiwa trip is a preliminary toe-dip. But the signs are that around 45 per cent of the £6bn sale will go to the UK public, 35 per cent to institutions and a quarter to investors in Japan, Canada and Europe...

Water authority chairmen have become more enthusiastic about foreign holdings because of their anxiety to see 100 per cent of the industry sold in one go rather than the initial 51 per cent favoured by some ministers. Current thinking is that to guarantee the success of a sale which continues to be stub-

OBSERVER

bornly unpopular with the UK public, the shares should be offered as widely as possible. A sale of just 51 per cent would leave the spectre of an incoming Labour government returning to the public sector with little technical difficulty.

Bank restraint

Just a touch of a pay dispute at the Bank of England. Biff, the banking, insurance and finance union, has put in for 9.5 per cent. The Bank has offered 5.5 per cent. The union has responded that its members would not regard such a sum as contributing to a pay deal, since it does not even reflect the rise in the cost of living...

The Bank says that 5.5 per cent is a perfectly reasonable opening bid. A spokesman adds that it has no great problems either in recruiting or retaining staff, and certainly is not losing people to the Treasury. Besides, the Bank must be bound by his own Governor's public warnings about the need for pay restraints. It would be unseemly for the Old Lady to go into anything like double figures. The union, negotiating on behalf of 3,500 staff, does not sound very happy. A 12 month deal is due to come into effect on July 1, but, says the Bank, these matters have slipped before.

Student power

Glasgow and perestroika have reached the point where the Soviet Union is allowing students to attend management symposia in Switzerland. Oleg Yakovenko and Dmitry Chernobay of Kiev State University entered an essay con-



"I see the dollar's heading skywards again."

test and yesterday found themselves the first Soviet students to attend the annual International Management Symposium at the business school of the University of St Gallen. At a time when practically all academic bodies appear to be holding conferences on the future of Europe and the world, the 3-day St Gallen symposium remains unique. It is organised by the students themselves. However, they are not ordinary students. St Gallen trains an elite. As testified by the BMWs and Mercedes parked outside, many are the sons and daughters of top Swiss and West German businessmen.

Yesterday a bemused-looking Yakovenko was trying to make what he could of his first, somewhat atypical visit to the West. At home, he is researching into prospects for Western joint ventures in the Soviet Union. In Geneva he heard US Senator Bill Bradley roundly reject the idea of using Western credits, subsidies or guarantees for any such thing. Judging by the muttering

that followed the Senator's remarks, the Swiss and German captains of industry are rather more on the side of Mikhail Gorbachev.

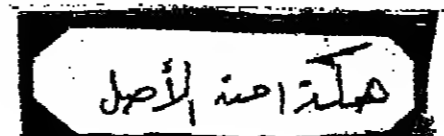
Streetwise

We do not always approve of editorials in the Wall Street Journal. The first sentence of the long one on China yesterday, however, is absolutely right. "China," it says, "is being enveloped by the three most powerful factors at work in the world today: democracy, market economics and the microchip." Whoever would have imagined that it would be possible to watch a near-revolution in Tiananmen Square daily, around the world, on television - and to hear so many Chinese explaining what they are doing in English? George Orwell was wrong in his novel, 1984, when he suggested that the growth of advanced technology would favour the power of the state. In communications, it has done precisely the opposite. More and more people are allowed to say what they want to a wider and wider audience. The other great liberalising element has been the move to an international language. It is called English, though it is in fact American. Without it, and without worldwide television, the Chinese might just as well be talking to themselves. This seems to me a revolution on its own.

Silly mistake

One grows increasingly fond of the Correction columns. Last week the Times Literary Supplement wrote: "This Museum was to be staffed by twelve new Professors, who - and this was an important innovation - were to be appointed by their Professors." This week we learn that it was a "typographical distraction". It should have read: "to be appointed by other Professors."

Advertisement for Leda Marriott Hotel in Athens, featuring the text 'SEVENTY-NINE POUNDS. I KEPT THINKING AS I SWAM PAST THE ACROPOLIS AGAIN.' and 'I always stay at the Marriott when I come to Athens on business.'



# LETTERS

## To integrate or not to integrate with Europe

**From Mr Stanley Crossick.**  
Sir, A.H. Hermann's columns invariably make interesting reading. For those readers who believe that the UK should be helping to lead and shape European integration, however, they can also be deeply disappointing.

The recent utterances and directions of Mrs Thatcher suggest that reason has been replaced by emotion, and perhaps by a misplaced sense of political advantage. It may be the prerogative of the politician to mix these elements, but it is disappointing to see that your eminent legal correspondent has also allowed himself to surrender his analytical faculty.

A careful reading of his article (May 17) shows it to be a series of biased comments on a mixture of European Court and European Commission activities, strung together in an attempt to support those who express incoherent hostility towards European integration. It does no more than flun-

trate his own animosity towards that prospect, irrespective of its merits or otherwise of the case.

Mr Hermann concludes that the Commission and the Court act in a doctrinaire manner, ignoring the regional diversity of the Community and its need for world-wide free trade. He advocates decentralised administration, political control by elected representatives and a truly independent judiciary.

However, he overlooks a number of factors:

- The Commission is composed of 17 diverse members, the Court of 12 members of equally wide backgrounds. Their services contain a rich range of background and opinion.
- EC policy is explicitly directed towards strengthening the power of the regions (contrary to the highly centralised policies pursued by Mrs Thatcher).
- Only this member states themselves can introduce true democratic control by strength-

ening the power of the European Parliament to scrutinise the European Community's work. This is unlikely in the near future, as the parliament more often supports the Commission than the Council of Ministers. It is hardly surprising, therefore, that Mrs Thatcher's reforming zeal has not extended this far.

• Commissioners Andriessen, Buisson, Britan and others were strong advocates of free trade while they were national ministers, and have remained publicly committed to that position since coming to Brussels.

I hope Mr Hermann is not questioning the independence of the Court of Justice. It is sufficient that judiciaries are independent. Those who seek to qualify such independence are generally dissatisfied with the exercise of that independence rather than in doubt of its existence.

"Trying to keep the EC together" is an emotive, misleading title. There is no doubt

that the EC will keep together. Its efforts are directed at more ambitious and rewarding objectives. The only doubt is whether the UK plays a central role or becomes increasingly isolated. The UK must decide soon: the other 11 members will not be distracted from those objectives indefinitely, awaiting its decision.

The FT is a highly respected and influential paper through-out the EC. Its editorials consistently give valuable support to those who argue that the British interest is best served by a constructive and positive engagement with those who advocate greater European integration. Mr Hermann is not of that number. His article provides evidence of rich diversity in your pages, but your readers will have little difficulty in deciding whether he or your editorial writers offer the more fruitful perspective.

Stanley Crossick  
Avenue de Teruren 2 b 3,  
B-1040 Brussels,  
Belgium

## Europe might look to America's founding fathers

**From Mr James Conlan.**  
Sir, A.H. Hermann's disquieting description of the almost uncontrolled law-making activities of the European Court (May 17) is, unfortunately, further evidence of the flawed constitutional structure of the European Community.

The provisions of the Treaty of Rome have hardened the EC with a pseudo-constitution which effectively imposes detailed regulations while ignoring the need for representative political and legal structures taken for granted in any civilised country.

To take one glaring example: any attempt to change even the details of protectionist arrangements in the common agricultural policy (CAP) is inevitably treated as the European equivalent of a constitutional amendment. At a national level, such matters of economic policy would be the responsibility of elected governments answerable to a representative assembly. The European Parliament does not fill that role.

Thus the detractors of the "European idea" can represent the Brussels bureaucracy as an

uncontrolled juggernaut, while its supporters are forced to recognise the ineffectiveness of much of its economic policy, not to mention its social engineering.

It is high time for the Treaty of Rome to be dumped as the political basis of the Community, and replaced by a genuine constitution that would merit acceptance by most Europeans.

It is worth considering the example of the American Founding Fathers who, 200 years ago, successfully managed to construct a community out of 13 states. On recognising that

the original Articles of Confederation of 1777 did not work, they promptly replaced them with "a more perfect Union" - up and running by 1789.

They also took care to ordain that any powers not specifically granted to the federal government by the constitution were reserved to the states. One might speculate about the effect of a similar constitution-making process on this side of the Atlantic.

James Conlan,  
4 Bridge Gate,  
High Wycombe,  
Buckinghamshire

## Effects of US trade law

**From Mr Alan Bowkett.**  
Sir, As the latest British bearing manufacturer we read your article (May 18) on anti-dumping duties in the United States with interest. A US competitor's representative said it was not "anti" any trading partner, and merely wished to enforce US law. We think your readers may be interested in a few facts.

Under the US anti-dumping legislation, RHP Bearings has had duties of 44 per cent imposed on all exports to the US, although in many cases we sell bearings at a higher price in the US than in the UK. There have been instances where our prices in the US have been lower than in the UK: an example used by the US authorities in their compa-

tations, is a bearing where we sold 5,000 to a single customer in the US and two in the UK.

The duties imposed apply to all export transactions even where our US prices are already higher than UK prices.

A federal acquisition regulation bans RHP from supplying bearings to the US Department of Defence because we are a British company.

There are examples of US trade law being enforced. They have serious ramifications for European Community trade policy towards the US, especially with the imminent arrival of the "Super 301" list.

Alan J. Bowkett,  
RHP Bearings,  
PO Box 16,  
Northern Road,  
Newark, Nottinghamshire

## Airline competition

**From Mr Liam Strong.**  
Sir, I wonder whether the managements of all 68 foreign airlines flying into and out of Heathrow Airport, every day of every week, are aware that Britain's Air Transport Users Committee (ATUC) believes they do so out of altruism?

There is no ambiguity in Mr John Cox's letter (May 16) written on behalf of the ATUC. He calls quite categorically for "real competition to British Airways at Heathrow."

This naturally implies that he and his members believe that the likes of Swissair, Singapore Airlines, Pan Am, TWA, Air France, Japan Air Lines and the rest are not really in business to compete for a share of the UK air travel market. I can hardly believe he really

means to leave that impression.

The truth is that British Airways faces more intense competition, on a more comprehensive basis, than - probably - any other airline at its home base. That is because London is the biggest and most important international air transport hub in the world. We would not want it any other way.

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## Two sides to the coin

**From Mr John Sheppard.**  
Sir, Professor Tew (Letters, May 15) argues that the retirement of gilts is flooding the clearing banks with cash, which tends to increase the money supply. The mechanism he specifies is a switch out of gilts by non-bank holders and into Treasury Bills by banks.

What Professor Tew neglects is the other side of the funding coin: the huge fiscal surplus the UK Government is now running. Last year this caused the Bank of England to intervene tentatively to overheat. This meant that the net impact of the public sector on the money supply was contractionary.

The Government's long-term aim is just to offset the fiscal surplus with retirement of gilts. Hence, over the longer term, the money supply consequences of public sector transactions is intended to be neutral. The switch out of gilts into Treasury Bills is a liquidity red herring as far as the money supply is concerned.

John Sheppard,  
S.G. Warbury Securities,  
1 Finsbury Avenue, EC2



## Telephoning in magic circles

**From Mr D.L. Levi.**  
Sir, We hear much about the technical achievements of the UK telephone system - little about its curious charge structure.

Tariffs are based on a circle, with a radius of 50km, around each area. Calls outside the circle are charged at "b" rate; those inside at local or "a" rate. The 50km radius was selected because this is somewhat greater than the radius of Greater London, enabling London's 8m residents and numerous businesses to communicate with each other at the cheapest rate.

It also ensures that users elsewhere in the UK subsidise the minority in London. Only greater Manchester, with 3m residents, has "cheap" telephone rates comparable to London. Local calls from Oxford, for example, might reach a population of 300,000, in Inverness, in Scotland, the equivalent "local" circle is 60,000 subscribers, for Caernarfon, in Wales, a mere 50,000. Exeter, in Devon, is closer to Okehampton than Welwyn is to Central London, yet the "b" rate applies - the "a" rate to the other. From Exeter a three-

minute standard rate call to London costs as much as one to Okehampton - on its doorstep.

There are other absurdities. If cost relates to distance, why does a call from London to Saffron Walden (80km) cost as much one to Inverness (700km)? What of coastal towns, where half the circle whose radius is 50km may consist of sea?

"B1" charges, said to be for "frequently used routes," are actually the first fruit of competition: they are cheaper than "b" calls, and similarly independent of distance. Yet they produce more anomalies: it is cheaper to telephone Aberdeen from London than from Inverness, only 80 miles away.

The 50km standard suggests a uniform system of UK charges, with call costs based on distance. Both inferences are false. In the current jargon, there should be a level playing field, and the present structure - arguably, one which inhibiting economic development outside the south-east area of the UK - should be scrapped.

D.L. Levi,  
1 East Street,  
Osney, Oxford

## Holidaymakers mean business

**From Mr John Belshon.**  
Sir, Stephen Dunmore's letter (May 15) misrepresents the results of Holiday Which? investigation of travel agents. The magazine did not condemn all UK travel agents. It reported a study of a sample of 200 travel agents which found that many were "incompetent, lazy and biased." The fact that 83 per cent quoted the wrong fare for the cheapest flight to three European cities speaks for itself.

Mr Dunmore misunderstands a crucial aspect of our report; 95 per cent of holidaymakers may be more or less satisfied with what they get, but would they be so satisfied if they knew the information they were given was so inaccurate? Like many people in business, he seems to think that a service is good enough if the consumer doesn't complain. Consumers are entitled to more than this - to high standards of service, products, and value for money.

Holiday Which? is a magazine for ordinary holidaymakers; we do not deal with business travellers who use high street travel agents for accurate advice on air fares and other matters. Why should the holidaymaker get a worse service than the business traveller?

We do not object to incentives. But consumers are entitled to know whether, and to what extent, a seller has a personal and financial interest in selling one package or product rather than another.

John Belshon,  
Consumers' Association,  
2 Marylebone Road, NW1

## Country cousins take different routes to the same place

**From Mr James Douglas.**  
Sir, Bridget Bloom ("Towards a greener farm policy," May 17) draws attention to the likeness between the Countryside Commission's proposals, in its publication incentives for a New Direction in Farming, and those in the Rural Environment, from a working party of the Country Landowners Association (CLA).

Both sets of proposals for rural land management have similar objectives: both would apply countryside (not just in designated areas); both have

the merit of being voluntary. But there is an important difference. The Countryside Commission's "comprehensive menu" of environmental grants for farmers would be spread on the table by central Government, and farmers would be able to savour them only if they complied with Government-prescribed eating habits.

The CLA working party's scheme starts from the premise that in the radical changes now occurring in agriculture, it is essential to preserve both farmers' self respect and their

sense of their independence as businessmen.

They have environment products to sell, and they should be free to decide the form in which they offer them to the public, whether the public takes the form of recreational groups, leisure organisations, conservation bodies, local authorities or central government acting for the public at large. There is a market for these products, and their price should be determined by agreement between the parties.

Under this scheme, the farmer stays in business. He

remains personally committed. He is not the recipient of Government handouts.

The Countryside Commission and the Country Landowners Association's working party were marching to the same destination. Perhaps inevitably, as an official body, the Countryside Commission took a different route. There may still be time to persuade the Commission that the other one is better.

James Douglas,  
Director-General, Country Landowners Association,  
16 Belgrave Square, SW1

## FOREIGN AFFAIRS

# Applying the logic of Alice in Wonderland

Robert Mauthner looks behind the recent expulsions from Britain and the Soviet Union

**E**spionage is by definition a mysterious activity, which only lays bare its secrets in novels and the occasional purported factual account, such as Peter Wright's Spycatcher. Even when it touches the periphery of real life, as when Governments accuse each other of spying - or rather their agents of activities "incompatible with their status" in the official jargon - the ordinary citizen has been trained not to ask too many questions. For he or she knows that they will never be told the truth by their Governments because "national security interests" are at stake.

So the proverbial taxpayer and voter, who is supposed to have a certain number of democratic rights, will never know why the British Government decided, at a time of growing East-West and Anglo-Soviet détente, to set off a round of tit-for-tat expulsions of diplomats and journalists.

Indeed, if the Foreign Office had had its way, we would never have known that it had taken place at all, for the idea was that the Russians would keep the whole thing quiet and refrain from publicising the action. The good relations between Britain and the Soviet Union would thus have been conserved because nobody, except one or two government leaders and a few officials, would have known that they had been undermined by the spying activities. A curious kind of logic, which Alice in Wonderland would have appreciated.

No doubt imbued with the spirit of glasnost, the Russians refused to play the game and the whole embarrassing episode - the latest in a long line of similar incidents - has come out in the open. The result, it can hardly be doubted, will lead to a new coolness in Anglo-Soviet relations, which Mrs Margaret Thatcher and Sir Geoffrey Howe, her Foreign Secretary, have spent so much time and energy in hiding up.

That phase, of course, will only be temporary and things will return to normal in time. But what a lot of wasted effort the whole affair involves. One day Mr Mikhail Gorbachev is feted in Windsor Castle and honoured in the Guildhall as if he were the Messiah, and a few weeks later he is kicked on the shins, like any run-of-the-mill leader of a European Community government. There is a certain lack of consistency there which even those who recognise that national security sometimes demands exceptional measures may be justified in questioning.

Everyone knows that intelli-

gence activities form part of the web of international diplomatic relations and that the Communist bloc countries are particularly keen and adept practitioners of the art. There are clearly limits which must not be overstepped, though they are necessarily ill-defined and are applied variously by different governments. Because no details of intelligence activities are ever published, the official version that Soviet intelligence operations in Britain have increased

There is little reason to suppose, therefore, that in the long run Britain's latest action will be any more effective in achieving the desired objective of ridding the country of Soviet spies. Such a step during a cold war phase could be considered purely punitive. At a time of strained East-West and bilateral relations, it does not matter if another cube is added to the ice-luck. But when relations are good and steadily improving, wider foreign policy objectives might have been

Not least, it is high time that an international understanding is reached allowing journalists to be excluded from the tit-for-tat games that governments play with each other. While it is certain that Soviet journalists, particularly those working for government news and information agencies, have often had closer relationships with their intelligence services than is "compatible with their status," that is also true of a number of Western journalists. The dividing line between genuine journalistic research and illicit intelligence gathering is in any case very fine - particularly in a day and age when foreign journalists can openly visit missile sites and chemical weapons facilities.

It has always been unacceptable - as well as contrary to the spirit of the 1975 Helsinki Agreement - that journalists should be used as the scapegoats of governments and diplomats. That is even truer at a time when Soviet journalists are becoming more outspoken in their criticisms of their own government and political system and Western journalists are reporting and explaining momentous changes in the Soviet Union and China. Neither the East nor the West can do without them, for they are the eyes and ears of glasnost.

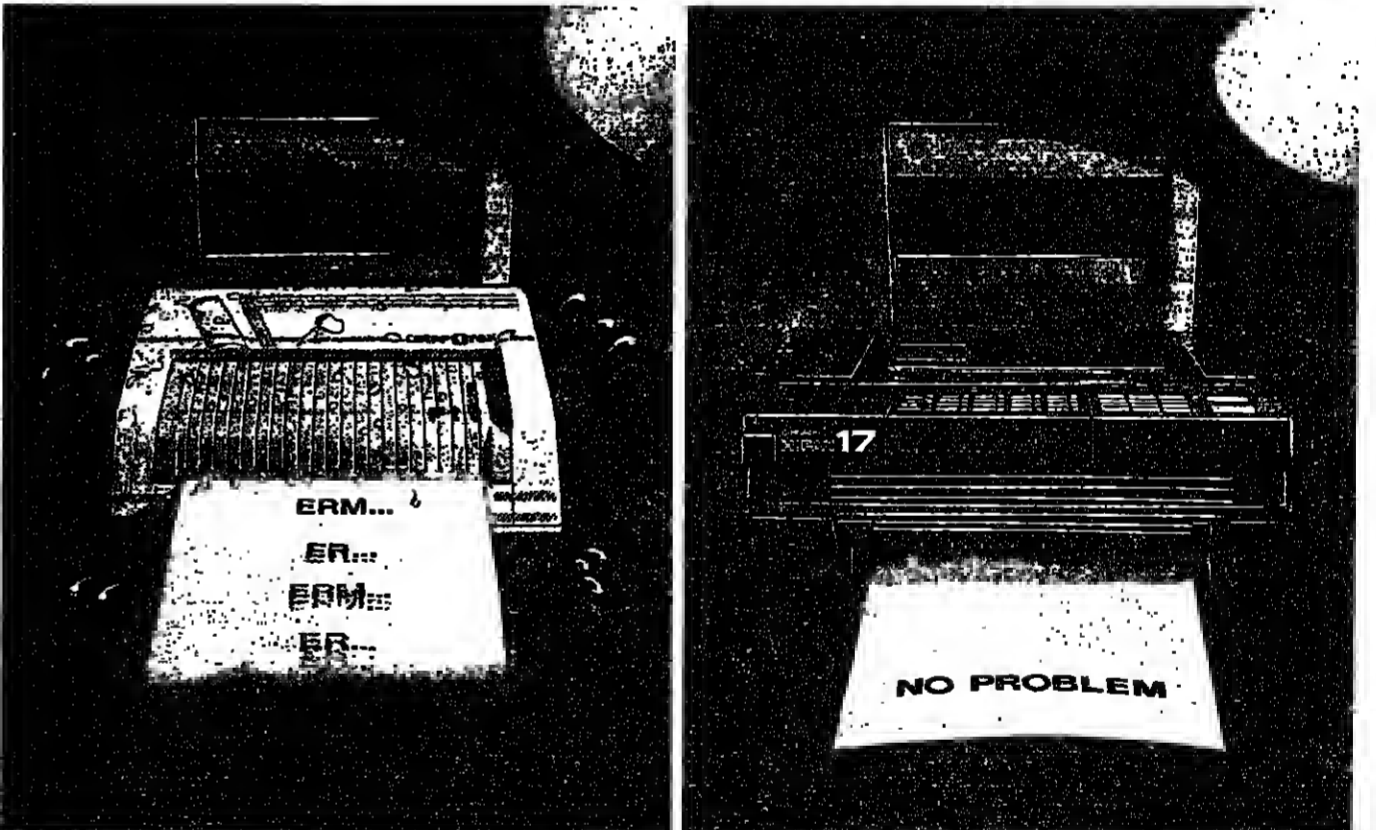
## There is little reason to suppose that this action will be effective in ridding Britain of Soviet spies

greatly over the last three years, must either be accepted at face value or rejected without adequate factual evidence for the adoption of either position.

What is known, on the other hand, is that expulsions have never deterred the Soviet Union from continuing its intelligence operations in Britain or in any other country. Not even a dramatic gesture like the expulsion in 1971 by the then Foreign Secretary, Sir Alec Douglas-Home (now Lord Home), of 105 Soviet Embassy and Trade Mission personnel did the trick. And the defection to the West in 1985 of Mr Oleg Gordievsky, the senior Soviet intelligence agent in London, causing the expulsion of a total of 31 Soviet diplomats, trade officials and journalists, has apparently led only to a redoubling of the KGB's efforts in Britain.

expected to play a bigger part in influencing the British Government's decision than they appear to have done.

One of the big unanswered questions is whether enough was done at a diplomatic level to settle the problem in an amicable fashion. True, Sir Geoffrey sent out signals in a speech at the Wehrkunde defence conference in Munich at the beginning of the year that Britain was unhappy about the increase in Soviet intelligence activities. It is also said that Mrs Thatcher brought up the matter during Mr Gorbachev's visit to Britain last month. Yet it seems inconceivable - barring an even bigger lack of communication between the Soviet leader and his intelligence agencies than is generally supposed - that Moscow would have completely ignored a direct warning that its agents



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FINANCIAL TIMES

Tuesday May 23 1989

TROLLOPE & COLLS CITY REFURBISHMENT-FITTING OUT MAINTENANCE 01-377 2500

Thatcher to fight 'bureaucratic meddlers' in Brussels

By Philip Stephens, Political Editor, in London

THE UK Government yesterday set out its agenda for Europe in the 1990s with a pledge to resist "bureaucratic meddling" from Brussels and fight instead for a European Community committed to "the economics of freedom and enterprise."

She denied that her tough resistance to the creation of a socialist "super-state" in Europe threatened to split the Conservative Party, insisting that there were only differences of emphasis.

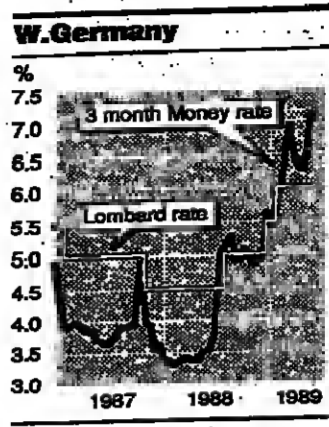
Secretary, by adding that even when inflation had been curbed it was far from certain that Britain would join immediately.

Lawson's agreement at a weekend meeting of finance ministers that they should begin preparatory work on the first stage of the Delors report on EC monetary union, implied no commitment to action.

through the community. It also stresses the Government's commitment to an open trading system, calling for the eventual dismantling of all voluntary restraint agreements limiting imports and the removal of tariffs on imports from developing countries.

The dark side of a sunny dollar

The heady euphoria which carried the London equity market to successive post-crash peaks last week has given way to the sobering realisation that while a strong dollar may be good news for Wall Street, interest rates elsewhere are probably going to have to rise before they can fall.



The bounce in share prices in London yesterday showed that international investors were sensibly tending towards the former view. Not only is the news pointing that way, but history at least would suggest that now is a time for courage.

Extremists call the shots in Gaza

Fundamentalism worries Israelis and PLO, writes Hugh Carnegie

THE arrest in the Israeli-occupied Gaza Strip at the weekend of some 250 activists from the Islamic group Hamas - including the two men regarded as its principle leaders - was more than just another measure in a week of uncompromising Israeli action against persistent unrest in the area.



Fundamentalist leader Sheikh Ahmed Yassin: opposed to the secular line of the PLO

It is a trend, especially strong in the wretched, honeycomb alleys of Gaza, that causes concern not just to the Israeli authorities, but also to the so-called unified command, the underground directors of the intifada who represent locally the many-factioned, but essentially secular Palestine Liberation Organisation.

and this month, were widely observed, even in mainly Christian villages in the West Bank traditionally hostile to Moslem extremists.

The Hamas round-up was the biggest of the uprising. Among those arrested were Sheikhs Ahmed Yassin and Dr Mahmoud Al-Zahar, Gaza's most prominent fundamentalist leaders. The authorities said Sheikhs Yassin, previously jailed between 1983 and 1985, headed Hamas's military section and had personally ordered the killing and beating of Palestinians alleged to have collaborated with the Israelis.

He has been careful publicly, in line with Hamas tactics, not to step much out of line with the secular leadership of the uprising, recognising the pre-eminent position of the PLO. But in an interview this month he made clear there was a distinction. "The Islamic movement supports and opposes the PLO. It supports it as a representative of the Palestinian people. But we oppose the secular line of the PLO. That is why we don't give them the complete and absolute right to do whatever they want."

The rise of Hamas (Zeal) was especially clear recently during Ramadan, the annual Moslem month of fasting, when its call for an upsurge of violence was answered by some of the worst unrest in Gaza since the start of the intifada in December 1987.

The clearest policy distinction, at least with the current position of the PLO, is Hamas's commitment to an Islamic state in Palestine which ultimately does not allow for the "two-state solution" now espoused by Mr Yassin Arafat, the PLO leader.

Another sign of its waxing strength was its call for one-day strikes by Palestinians which did not coincide with those nominated by the unified command. Both days, in April

Dr Zahar, a surgeon, spelled this out in another interview. "If it is necessary to start the

Soviets curb British presence in Moscow

By Quentin Peel in Moscow and Robert Mauthner in London

THE Soviet Union yesterday announced new restrictions on British business, journalists and diplomats in Moscow, in a new round of retaliation for the British decision to expel eight Soviet diplomats and three journalists from London.

A ceiling of 205 has been set on the number of accredited British representatives, and their Soviet employees, who can work in the Soviet capital - matching the number of Soviet citizens allowed to work in London.

The decision seems certain to mean a drastic cut in the number of Soviet employees who can work for British offices, including the British embassy, a serious upset for those relying heavily on Soviet interpreters and local office staff.

In London, Mrs Margaret Thatcher, the Prime Minister, strongly condemned the tit-for-tat expulsion of 11 British diplomats and journalists. She said on BBC television that they showed that "things have not really changed very much at all" as far as the Soviets were concerned.

The latest Soviet move is unlikely to mean any further cut in the number of British citizens in Moscow, of whom around 130, including 80 diplomats, are currently accredited.

The decision was greeted with alarm by business representatives in Moscow, and seen as severe discouragement to any prospective joint ventures with Soviet enterprises.

Motorola talks fail to reach agreement

By Robert Thomson in Tokyo

MOTOROLA, the US communications company, and Japan's Ministry of Posts and Telecommunications failed to reach agreement yesterday in negotiations crucial to solving a dispute that could lead to the imposition of 100 per cent punitive tariffs on a range of Japanese exports to the US.

for radio frequencies enabling the use of its mobile telephone equipment in Tokyo, and the ministry's licensing procedures.

A ministry spokesman said a senior delegation from the US company had nothing new to offer in the negotiations, which focused on Motorola's demand

The telecommunications ministry spokesman was apparently not perturbed by the lack of a result in the discussions or by the threat of US sanctions, which could be introduced early next month.

rola", and that talks would continue with US officials over the claims that foreign companies are hindered unfairly in Japan's telecommunications market.

He said that "the US Government does not want to be treated as a puppet of Moto-

A list of 54 Japanese products that could be subject to the punitive tariffs has already been drafted in Washington, where it is argued that Japan has failed to honour a 1985 agreement to open its home market to imports and that the Motorola case is a prime exam-

ple of the failure. The Japanese telecommunications ministry maintains it has abided by the 1985 agreement.

Mr George Fisher, Motorola's president, said that the company would "hopefully" resolve the issue in "the very near term", but that the telecommunications problem was "ultimately an issue between the Government of Japan and the Government of the US."

Two indicted as Recruit investigation ends

By Stefan Wagstyl in Tokyo

TWO SENIOR Japanese politicians involved in the Recruit scandal were indicted yesterday on charges of taking bribes from Recruit, the company at the centre of the affair. But the public prosecutor strongly indicated that the two arrests marked the end of his investigation into wide-ranging allegations of corruption.

who accepted financial support from Recruit to follow Mr Norio Takeshita, who plans to resign.

Reports from the Tokyo District Public Prosecutor's Office suggested officials feel there is insufficient evidence to pursue charges against Mr Yasuhiro Nakasone, the former Prime Minister, and other politicians

permit the selection of a new Prime Minister to follow Mr Takeshita, who plans to resign.

Opposition parties vowed to keep attacking the LDP over its political responsibility for the scandal which involved high-ranking politicians, civil servants and businessmen.

The ruling Liberal Democratic Party hopes the two indictments, the conclusion of the investigation into corruption and Mr Nakasone's decision to testify will allow it to recover some popular trust. It also hopes these developments will clear the air enough to

Mr Takao Fujinami, a former Chief Cabinet Secretary in Mr Nakasone's administration, and Mr Katsuya Ikeda, a former official of the opposition Komel (Clean Government) party. They were charged with

taking bribes in the form of cash and shares in return for helping Recruit. The prosecution alleges they used their influence to prevent Japanese employers breaking an agreed timetable for recruiting new graduates. Recruit feared an end to the agreement would harm its main business of publishing job magazines.

In return, Mr Fujinami received ¥20m (\$145,000) in donations and 10,000 shares in Recruit Cosmos, a Recruit subsidiary. Mr Ikeda received ¥7m and 5,000 shares. Both denied any wrongdoing.

Table with columns for location, temperature, and weather conditions. Includes cities like Agaña, Algiers, Amsterdam, Athens, Bahrain, Bangkok, Barcelona, Beirut, Berlin, Brisbane, Bombay, Buenos Aires, Caracas, Chicago, Copenhagen, Dallas, Dublin, Edinburgh, Frankfurt, Geneva, Harbin, Helsinki, Hong Kong, Istanbul, Jakarta, Johannesburg, London, Lyons, Madrid, Manila, Mexico City, Miami, Moscow, New York, Ottawa, Paris, Perth, Rome, Seoul, Singapore, Stockholm, Sydney, Taipei, Tokyo, Toronto, Vancouver, Wellington, Warsaw, Washington, Zurich.

Peking unrest deals blow to HK market

Continued from Page 1

Mr Yuen blamed the falls on "high political tensions" in China and ruled out any question of the stock exchange closing, as it had done in the 1987 crash.

Local brokers forecast more heavy selling of stocks today and there is little prospect of the market picking up significantly in the immediate future because of the uncertainty which will accompany any developments in Peking.

and growing economic ties, including reliance for more than half its water consumption. However, there is greater uncertainty than usual because Hong Kong reverts to Chinese sovereignty in 1997 and people are worried about whether Peking will honour its pledges to allow a "high degree of autonomy."

Tough martial law measures and the introduction of a repressive regime would eliminate some recent optimism that the students' demonstra-

tions might lead to a new government in Peking. This possibility has emphasised a consciousness among Hong Kong's majority population that they are Chinese and are part of China. It helped to stimulate Sunday's rally which was a remarkable demonstration of street power. The marchers' demands included the resignation of Peking hardliners, the withdrawal of the army and government recognition of the Chinese students' movement. Yesterday there was a march by 3,000 people.

NOTICE OF REDEMPTION THE LOUISIANA LAND AND EXPLORATION COMPANY 9 1/2% Convertible Subordinated Debentures Due 2000

NOTICE IS HEREBY GIVEN that, pursuant to Section 1101 of the Indenture dated as of March 27, 1985 (the "Indenture"), between The Louisiana Land and Exploration Company (the "Company") and Chemical Bank, as Trustee (the "Trustee"), the Company has elected to redeem and will redeem on June 27, 1989 (the "Redemption Date"), all of its 9 1/2% Convertible Subordinated Debentures Due 2000 (the "Debentures"), at the redemption price of 102% of the principal amount thereof plus accrued interest to the Redemption Date.

On and after the Redemption Date, the Debentures will become due and payable upon presentation and surrender thereof. (In the case of coupon bearer Debentures with the March 27, 1990 and subsequent coupons attached) at the office of Chemical Bank, 180 Strand, London or the principal offices of Chemical Bank, Frankfurt am Main and Zurich, or at the principal office of Banque Internationale a Luxembourg S.A. in Luxembourg or Kredietbank N.V. in Brussels. In the case of fully registered Debentures, presentation and surrender thereof should be made at the office of Chemical Bank, 55 Water Street, New York, New York 10041.

Interest on the Debentures shall cease to accrue from and after the Redemption Date and all coupons maturing on and after March 27, 1990 shall be void.

The Conversion price is \$42.00 principal amount of Debentures for each share of Capital Stock of The Louisiana Land and Exploration Company. The right to convert the principal amount of the Debentures so called for redemption shall terminate at the close of business on the day immediately preceding the Redemption Date. Debentures may be surrendered for conversion at any of the aforementioned offices.

The Louisiana Land and Exploration Company By: Chemical Bank, as Trustee

Dated: May 23, 1989

Under the Interest and Dividend Tax Compliance Act of 1983, we may be required to withhold 20% of any gross payments made within the United States to certain holders who fail to provide us with, and certify under penalties of perjury, a correct taxpayer identifying number (employer identification number or social security number, as appropriate) or an exemption certificate on or before the date the securities are presented for payment. Please therefore provide the appropriate certification when presenting your securities for payment.





## INTERNATIONAL COMPANIES AND FINANCE

## Bond sells £149m Allied-Lyons stake

By Lisa Wood and Gordon Cramb in London

BOND Corporation, the beleaguered Australian conglomerate, yesterday raised £149m (\$241m) with the sale of nearly half its 9.9 per cent stake in Allied-Lyons, the UK food and drink group.

The 33.5m shares, representing 4.4 per cent of Allied's equity, sold at 445p per share and was widely placed with a number of institutions. Allied's shares closed at 444p, down 37p since the wide placing reduced the likelihood of an takeover bid for Allied.

The unheralded disposal represents the latest of persistent efforts by Mr Alan Bond over the past few weeks to restore credibility to a sprawling and debt-laden empire which encompasses media, property and minerals and brewing.

Bond started building a stake in Allied, which brews Bond's Castlemaine XXXX lager under licence, in 1987. To the consternation of Allied, the stake rose to 11.4 per cent last year. Some 7 per cent was refinanced through 10-year convertibles, exchangeable any time after March 31st 1989. The shares sold yesterday, at a 5.5 per cent discount to the market, were all those not tied to a convertible.

Last month Bond's stake in Allied slipped to 9.94 per cent after some holders of the first tranche of bonds - having received the end of March coupon - converted their securities into Allied shares.

The placing of the Allied shares lends weight to expectations that Mr Bond has

suspended large-scale acquisition moves in the UK, where he last year embarked on an abortive assault on Lonrho, the trading multinational.

Although he has failed to secure an adequate price for his 20.4 per cent stake in Lonrho, Mr Bond insisted last Friday he was "quite content" to retain the holding.

He was speaking in Sydney as he unveiled the planned A\$3.5bn transfer of his beer business from Bond Corporation, his master company, to Bell Resources, a quoted offshoot which he would restructure and sell down his stake from 88 per cent to around 40 per cent.

The measure is designed to reduce the parent's borrowings.

The Allied stake was not included in the brewing interests to be transferred to Bell Resources. Under Friday's proposal, Mr Bond will cede direct control over G. Heffernan, a US brewer he acquired for £1.3bn in 1987, as well as his three domestic beer companies Swan in Western Australia, the Queensland-based Castlemaine XXXX, and Tooheys, the leading New South Wales brand which is to be launched in the UK next month.

Ahead of the London market placing, shares in Bond Corporation yesterday lost nearly half of Friday's gain, closing 7 cents lower in Sydney at A\$1.28. In contrast, Bell Resources added a further 11 cents to A\$1.18. Both were up 15 cents the previous session.

## Bobst lifts payout and forecasts sales gain

By William Dufforce in Lausanne

BOBST, the world's leading producer of machinery for converting cardboard and paper into printed packaging, expects to increase sales by more than 10 per cent to Sfr1.1bn (\$630m) in 1989, Mr Bruno de Kalbermaten, its chairman and chief executive, said yesterday.

Last year group turnover climbed by 17.5 per cent to Sfr988m and consolidated net earnings advanced by 14.1 per cent to Sfr35.6m. Cash flow rose slightly more to Sfr72.1m.

The parent company is to raise the dividend from Sfr28 to Sfr30 per registered share and participate certificates, and from Sfr5 to Sfr6 per bearer share. This will be the fifth successive rise.

Bobst generates 95 per cent of its sales outside Switzerland. Last year it saw particularly strong growth within the European Community, where the share of total turnover rose to 57 per cent from 48 per cent in 1987. US sales declined from 20 to 14.7 per cent of the total, mainly because customers were holding back on capital spending, according to Mr de Kalbermaten. But for the first time the Swiss group scored a breakthrough in sales to Japan.

For the past three years Bobst has been investing heavily in automating its manufacturing capacity and in the computerisation of its products. It is building new plants at its Lausanne base and in France.

A new factory is also scheduled to come on stream at Piacenza, Italy, the home of Schiavi, a producer of packaging printing equipment, in which Bobst bought a 50 per cent stake last year.

Capital expenditure in 1988 amounted to Sfr53m and Sfr100m is being spent over four years to modernise the Swiss factories.

The consolidated balance sheet, with shareholders' funds of Sfr335m out of total liabilities of Sfr780m and Sfr143m in liquid assets, nevertheless reflects sustained financial strength.

## US tyre purchase spurs Continental

By Haig Simonian in Hannover

GROUP NET profits at Continental, the West German tyre maker, jumped 40 per cent to DM194.8m (\$89m) last year from DM136.8m in 1987. The increase was due to the first-time inclusion of earnings from General Tire, the US tyre group purchased in October 1987, continuing strong demand and a marked drop in the group's average tax rate.

Sales soared by 55 per cent to DM7.9bn, enabling the company to raise its dividend by DM1 to DM3 a share - the fourth increase in a row. The chances of further increases were promising, the company suggested.

Some DM2.5bn of the DM2.8bn rise in sales came from General Tire, without which turnover would have risen by 6.1 per cent, said Mr Horst Urban, Continental's chief executive.

Sounding an optimistic note, Mr Urban said group sales in the first quarter of this year rose by 10.8 per cent to DM1.95bn. Sales should reach DM3.4bn this year, with tyre production about 10 per cent higher, and profits are set to rise once again, although the growth rate is expected to slow sharply.

The company, which has now consolidated its position as the world's fourth biggest tyre manufacturer, plans to round out its tyre manufacturing

activities by acquiring producers outside Europe and the US.

Future European expansion will be focused on non-tyre automotive acquisitions and continuing consolidation of its position in tyre distribution and retailing. To this end, it has recently taken a minority stake in the Smiley group, a UK tyre distributor with 50 outlets.

While Continental has benefited strongly from the continuing upswing in car production, allowing volume growth of about 10 per cent in tyre production, Mr Urban distinguished between rising production and higher profits. Competition between leading manufacturers remains fierce, meaning that tyre prices have fallen, despite a third year of buoyancy in the new car market.

As a result, Mr Urban stressed that Continental would aim to squeeze even more production out of its existing plants rather than invest in new capacity. He recognised that the need for Saturday, and even Sunday, working could cause difficulties with domestic labour unions, but he predicted that by 1991 all the group's tyre plants would be working seven days a week, as would most of the ContiTech auto equipment subsidiary.

## Circle K puts itself up for sale and warns of loss

By Roderick Oram in New York

CIRCLE K, the US convenience stores with extensive operations abroad including the UK, has put itself up for sale after reviewing ways to maximise its value to shareholders.

The market reacted cautiously, lifting shares of the Phoenix company by only 4% to \$13, well below the \$16 to \$20 a share some analysts believe it might be worth. At yesterday's trading price Circle K is worth about \$500m.

Mr Earl Eller, chairman and chief executive, advised the board he might try to launch a leveraged buyout. He would face an uphill task because the

company has some \$1bn of debt, representing about 70 per cent of its capital.

Circle K said "various parties" had asked about buying some or all of the company. Though there were no firm offers yet, it has hired Wasserstein, Perella, the Wall Street mergers and acquisitions specialist, to review offers.

The company also said it would report a loss for its fourth quarter to April 30. During the first two months of the period it suffered from pressure on its petrol margins in the western US and on general merchandise margins. Both sectors improved during April.

## Nobel in talks over Philips' Sweden unit

By Robert Taylor in Stockholm

NOBEL INDUSTRIES, the largest chemicals and ordnance conglomerate in Sweden, is negotiating with Philips of the Netherlands to acquire a majority stake in Philips' electronic defence operations in Sweden.

Philips Electronics in Sweden - known as PEAB - had an annual turnover of SKr1bn (\$151m) last year and employs 1,800 people. The deal with Nobel is regarded as the best way of ensuring a future for electronic defence operations in Sweden through co-ordination with Bofors, which is part of the Nobel group.

The announcement suggested that Bofors would bring Philips Electronics further competence and resources for its defence business, which would help build up a "unique and unified industrial defence asset" for Sweden and export markets.

Nobel also said its adhesive and paints subsidiary Casco, which has become one of Europe's leading industrial coatings companies, is selling off 49 per cent of its control and 70 per cent of its votes in the Danish firm, Kemisk Værk Koge-KVK, through a deal with Dan Pigment Holding, part of Sum Chemicals of the US.

KVK manufactures organic pigment and pigment preparations as well as being the biggest producer of herbicides in Scandinavia. It also makes - on a small scale - chemical-technical products for the engineering and construction industries.

Fermenta, the Swedish antibiotics, chemicals and finance group, lifted profits after financial items by 25 per cent in the first four months of 1989 to SKr55m from SKr44m a year earlier.

Sales rose 125 per cent to SKr1.78bn from SKr793m, boosted, apparently, by a strong performance in Fermenta's chemicals and pharmaceuticals operations through its subsidiaries in the US and Italy.

Mr Bertil Holmberg, Fermenta's chief director, said the good results were expected to continue over the rest of 1989.

## Bid for Holly Farms increased

By Deborah Hargreaves in Chicago

HOLLY Farms, the US chicken processor, has agreed to be acquired by flour milling giant, ConAgra, after the company increased its offer to \$1.38bn.

The merger will create the US's largest chicken producer, which will hold a 17 per cent market share.

The agreement looks likely to end the seven-month-long battle for Holly, although the other suitor, fellow chicken producer Tyson Foods, said it would continue to fight in the courts.

The agreement between Holly and ConAgra will be put to a shareholders' meeting before the end of July. A previous deal reached by the com-

pany's board was rejected by Holly's shareholders in favour of Tyson's all-cash bid.

ConAgra's latest offer is a stock-swap deal roughly valued at \$74.81 a share. Holly has agreed to pay a termination fee of \$18m and reimburse ConAgra's expenses to \$10m if the deal does not go through.

However, the latest arrangement has dropped the controversial lock-up provision from the previous deal. This was a clause compelling Holly to sell certain assets to ConAgra even if the merger was not successful. Tyson Foods had challenged the provision in court.

High interest rates will make

it difficult for Tyson to raise its \$1.12bn cash bid for Holly as that bid would already have raised debt to over 80 per cent of the company's capitalisation. But the firm has not ruled out returning to the fray with a sweetened offer.

The bidding war for Holly reflects the severe capacity constraints of a booming US chicken market, where consumers are turning away from red meat. The Holly-ConAgra combination will produce some 17m chickens a week.

Holly's share price got a boost from the deal yesterday and rose \$4 in midday trading in New York to \$66, while ConAgra dropped \$2 1/4 to \$39.

## Restructuring hits Karstadt profits

KARSTADT, the large West German retailer, said that its 1988 group net profit fell 17.4 per cent to DM141.5m (\$72m) from DM171.6m in 1987 because of extensive restructuring costs, and that it will pay an unchanged dividend of DM9 for the year, writes Our Financial Staff.

Parent company net profit fell 25 per cent to DM89.8m from DM119.9m a year earlier. In January, Karstadt said that group sales rose 4 per cent in 1988 to DM14.5bn from DM13.8bn in 1987.

Karstadt said the restructur-

## GERMAN BRIEFS

ing involved changed distribution arrangements and the modernising of many of its stores. "Those costs have gone well into the double-digit million mark range."

● Feldmühle Nobel, the West German conglomerate in which a controlling 46 per cent stake is passing to Vebe, said that group sales rose 6.3 per cent in the first quarter of 1989 to DM1.99bn from DM1.85bn a year earlier.

Feldmühle said that operat-

ing profits rose more than the increase in sales due to considerable improvement in the Eudorus construction and kitchen equipment division.

Feldmühle said it expects 1989 results to be satisfactory and that the group is increasing its investments. Group net profit last year was DM153m.

● Viag, the West German conglomerate, plans to raise its 1988 dividend from DM6.50 a share to DM7.50. The payment, and an increase in authorised capital to DM220m, will be proposed to shareholders at the annual meeting on July 14.

L'ORÉAL

SALES UP 21.6 %  
NET INCOME UP 23.6 %

With Mr. Lindsay OWEN-JONES, Chairman and Chief Executive Officer, presiding, L'OREAL held its annual information meeting during which Mr. Marc LADREIT de LACHARRIERE, Director and Executive Vice President, presented the results for 1988.

Consolidated net sales amounted to FF 24.4 billion, an increase of 21.6 % over 1987. On the basis of comparable structures and exchange rates, the increase was 18.7 %.

Sales contractually managed by L'OREAL, which integrate the sales of the American and Canadian agents, amounted to FF 30 billion.

Group operating income rose from FF 2,029 billion to FF 2,499 billion, an advance of 23.2 %. Net income before taxes and employee profit sharing grew 24.6 %. Because corporate income taxes owed increased by 32 %, net book income rose 23.6 %. Net income per ordinary share and investment certificate (C.I.) amounted to FF 212.4 in 1988 against FF 182.6 in 1987.

## Growth in L'OREAL's consolidated results

In FF millions	1988	% increase over 1987
Consolidated sales	24,445	21.6 %
Operating income	2,499	23.2 %
Income before taxes and employee profit sharing	2,316	24.6 %
Net book income	1,345	23.6 %

Lindsay OWEN-JONES commented on L'OREAL's international development, emphasizing that the Group's performance was linked to the ongoing efforts to enhance quality and to innovate. The increased R & D expenditure in the cosmetology field, which was one of the year's highlights, reflected these efforts.

Mr. OWEN-JONES noted that L'OREAL continued in 1988 to strengthen its position in international markets thanks to the many new product launches and to the constant improvement of existing products. This policy has always been the basis of the Company's performance. In an environment of moderate growth in the world market, L'OREAL continued to increase sales volume and market shares.

Expanding the international markets for its various products is a key objective of all L'OREAL operations and is a fundamental motivating force for staff. The Group's international activities generated for France a net foreign currency gain of over four billion francs in 1988 as compared to 3.3 billion the previous year.

Mr. OWEN-JONES also emphasized the Group's determination to prepare for the future by investing in new sectors; luxury products with the acquisition of Helena RUBINSTEIN and of Giorgio ARMANI perfumes, for example. PARAVISION INTERNATIONAL, specialising in audio-visual communications was formed. He also announced new agreements with the CLUB des CREATEURS de BEAUTE, a direct mail cosmetics company, and the acquisition of the controlling interest in ROCHE POSAY LABORATORIES, a skin-care specialist.

Lindsay OWEN-JONES re-affirmed the Group's determination to give its subsidiary, SYNTHELABO, international dimensions. Marc LADREIT de LACHARRIERE announced that at year end 1988, L'OREAL's interest in SYNTHELABO amounted to 64.2 %.

Finally, Mr. OWEN-JONES announced that the Board of Directors of L'OREAL had decided to propose that the General Meeting of Shareholders, convened on Friday, June 23, 1989, declare a net dividend of FF 50 per share, an increase of 35 % over the previous year. The same dividend would be paid on ordinary shares and on investment certificates (C.I.).

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INTERNATIONAL COMPANIES AND FINANCE

Japanese disk drive makers load up trouble  
Two US companies' problems may hit the rest of the industry, writes Louise Kehoe

Developments at two prominent US manufacturers of computer disk drives signal industry-wide problems that could lead to broad restructuring in the face of volatile market trends and intensifying foreign competition.

Last week Miniscribe, the second largest US merchant disk drive manufacturer with 1988 sales of more than \$600m, said its financial results for the past three years "should not be relied upon" and that it may not be able to accurately restate them.

Quantum, a technology leader in the personal computer disk drive market, then announced it had filed a suit against Sony of Japan alleging unfair competition, patent infringement and dumping.

Miniscribe's problems and Quantum's litigation reflect an industry in turmoil. Up to 80 US companies are competing for a share of the personal computer disk drive market, according to Dataquest, the market research firm.

Although the US market grew by more than 40 per cent last year, growth is slowing, and demand is shifting to a new generation of 3 1/2 inch diameter drives with higher storage capacity. Channels for distribution are also changing as hard disk drives become a standard part of most personal

computers, rather than an add-on product.

The imminent entry into the market of Japanese electronics manufacturers, which are gearing up production of the small disk drives used in personal computers and workstations, is increasing pressure on US drive makers. Sony is the first to win significant sales in the US, but NEC, Hitachi and Matsushita are not far behind, according to analysts.

"US manufacturers are in danger of losing a substantial part of the market to Japanese competitors," says Mr Phil Devin of Dataquest, who forecasts a major consolidation among US manufacturers.

Quantum's litigation has sounded a warning bell. According to the suit, Sony has shown "willful and wanton disregard" of Quantum's patent rights. "Not only do we believe that Sony has infringed our patents, but their drive looks identical to ours. It is obvious to us that Sony has even copied our architecture — after 10 years in the drive business I have never seen anything like it," says Mr Stephen Berkley, Quantum chairman.

The company further charges Sony with trying to win business in the US by pricing its drives below cost. According to a statement, Sony is offering its drives in large quantities at prices ranging

from \$225-\$230. Considering that Sony is new to the manufacturing disk drives business, this price is "certainly below their manufacturing costs," Mr Berkley claims.

Both Quantum and Sony have won \$100m contracts to supply drives to Apple Computer, which previously pur-

chased all its drives from US manufacturers.

Yet the US disk drive industry is hardly in a position to blame all its troubles on alleged Japanese "unfair trade" tactics.

Problems emerged about nine months ago, when computer makers began replacing standard 5 1/4 inch drives with new 3 1/2 inch drives much faster than some US drive manufacturers had anticipated.

Japanese drive makers, including Sony which was just entering the field, moved quickly to take advantage of the opportunity. Meanwhile some of the largest US manufacturers found themselves with a glut of old 5 1/4 inch drives and with factories geared to manufacturing products that were no longer in strong demand.

At Seagate, the largest merchant US drive manufacturer, the problem was reflected in disappointing results for the June and September quarters.

Miniscribe appeared to be riding out the storm with remarkably strong sales and earnings. It is now apparent, however, that its sales and profits may have been misstated and its accounting methods were deficient.

"The accounting controls then in effect and existing records and documentation may not permit the company accurately to quantify and correct overstatements of assets" for the period 1986-1988, said Mr Richard Rifenburg, chairman of Miniscribe.

Until February, Miniscribe was headed by Mr. Q.T. Wiles, a renowned high technology "turnaround" expert. Mr. Wiles is the vice-chairman of Hambrecht & Quist, a San Francisco investment banking

group which owns 16 per cent of Miniscribe.

Mr Wiles split Miniscribe into small product groups, each with its own manufacturing, purchasing and sales arms and profit and loss responsibility. These groups operated with a high degree of independence but faced intense pressure to meet very short-term sales and profit goals.

Since Mr. Wiles' departure, a centralised management structure has been introduced, Miniscribe said.

Miniscribe's problems are likely to rebound throughout the industry, predicts Phil Devin of Dataquest, who points out that it is a debtor to several parts suppliers. However, the company says it has agreed to payment schedules with all its suppliers.

Yet the legal and financial problems facing Miniscribe raise questions about its ability to continue operations. It faces two class action suits filed by shareholders and is in danger of losing its listing on the NASDAQ over the counter market. It is in technical default on \$8m worth of debentures and acknowledges that its cash flow is "very tight."

If the company were to collapse, as some fear, it would leave a large vacancy in the market that could represent an open invitation to new Japanese suppliers.

Amerada Hess pays \$911m for gas fields in Gulf of Mexico

By James Buchan

AMERADA HESS, the ambitious New York-based oil and gas company, is paying \$911m in cash for a large swathe of gas reserves in the Gulf of Mexico, bought from Transco, the gas pipeline company.

The deal was announced yesterday. It will sharply increase Amerada's base of proved reserves of gas — but at the cost of a big increase in debt. Wall Street reacted badly to the announcement, driving Amerada's stock down nearly \$2 to \$37 1/2 by noon yesterday.

In contrast, Transco, a Houston-based gas pipeline company which is essentially a pure-play exploration and production business, rose modestly in early trading.

The share price of Transco Exploration Partners, the company's publicly floated upstream division, rose by nearly a third. Amerada said yesterday that it had agreed to buy most of the oil and gas properties of Transco Exploration Partners, the pipeline company's 74 per cent affiliate which it has been seeking to liquidate.

reserves of natural gas, and more than 12m barrels of oil in the Gulf of Mexico, offshore Louisiana and Texas.

At the end of last year, Amerada owned about 1.5 trillion (1.5 million million) cubic feet of proved gas in the US, Canada and the North Sea.

The deal includes 41 gas fields, three oil fields, various shore-based support services and a gas supply contract. It is the latest in a series of big gas property sales, with some large companies and independents betting on an upturn in the price of the fuel in the early 1990s.

During the 1980s, the price of gas has been volatile, weakening to around \$1.50 per million cubic feet from a brief peak of more than \$3.

But some investors are betting that there will be a big swing to gas because of abundant domestic supplies and its "clean" burn.

● Olin, the diversified US group, has completed the sale of its Olin Hunt Worldwide photographic chemicals business to Fuji Photo Film for about \$75m, AP-DI reports. Olin said that the after-tax proceeds will be used to retire debt.

Pickens to fight for seats on Koito board

By James Buchan in New York

MR. T. Boone Pickens, the Texas oilman and stock-market raider who recently bought 30 per cent of Koito Manufacturing, is planning to attend the Japanese company's annual meeting next month to push for three seats on the company's board.

"We're all set to go," Mr Pickens said in an interview in New York yesterday. "We asked to have four people there and they said we could have one. Maybe, we'll have our people standing if there aren't any chairs."

Mr Pickens' plan to push for board representation at the major components company's June 29 meeting is the latest move in a conflict of will and manners between the free-wheeling Texas raider and Japan's tightly knit corporate establishment.

In April, Mr Pickens stunned the Tokyo stock market by acquiring 29.2 per cent of Koito to become the largest shareholder in the company. Koito is closely allied with Toyota Motor, Japan's largest car maker.

The block is worth about \$1m at current share prices, and is one of the largest unsolicited investments made in a Japanese company by a foreigner.

Mr Pickens made a fortune in the mid-1980s from stampeding US oil companies such as Phillips, Unocal and Gulf into defensive mergers or recapitalisations. He is believed in Tokyo to want to bully Toyota, which has three seats on Koito's board, into buying him out.

The block of 32.4m shares was acquired from Mr Kitaro Watanabe, a Japanese stock speculator, who had failed to make headway with Toyota. The prospect of Mr Pickens putting pressure on Toyota has also been ridiculed in Japan.

Mr Pickens admitted ruefully yesterday that he had not predicted the strength of the Japanese reaction to his move, but said he would still push for board representation. "When we asked Koito to go on the board, they said we'd have to get better acquainted and earn their trust," he said. "But if you own a car, you drive it. You don't have to convince people that you look good in the driver's seat."

With some 60 per cent of Koito locked up in cross-holdings with several Japanese manufacturing and financial companies such as Toyota and Nissan, Mr Pickens accepts that he cannot take over the company, and he adds that he would not want to run it. "I've said we're a long-term holder," he said. "Are we still a long-term holder if we have no contact with the company? We'll have to see at the annual meeting."

The investment has been made by Boone, a partnership between Mr Pickens and two associates.

Compaq adds kick to PC power

By Louise Kehoe in San Francisco

COMPAQ Computer beat arch rival IBM to the punch yesterday with the launch of what is claimed to be the "most powerful and expandable desktop personal computer in the world."

The new machine also represents a challenge to computer workstation and minicomputer manufacturers in their traditional business markets.

Compaq's new Desktop 286/33 is based upon Intel's latest 33 MHz version of its 386 microprocessor which is more than 30 per cent faster than earlier versions.

The new PC is aimed at sophisticated applications such as computer-aided design, financial modelling and software development, and for use as a host in multi-user systems.

In these applications personal computers compete directly with computer workstations, such as those offered by Sun Microsystems and Hewlett-Packard.

Compaq's announcement, which significantly boosts personal computer performance, is expected to intensify competition in this sector, which is the fastest growing part of the computer market.

Priced at \$10,500 to \$18,000, depending upon the system configuration, the new Compaq personal computer outperforms Digital Equipment Corporation's 386-based minicomputers by a substantial margin, claimed Mr Michael Swavely, president of Compaq's US operations.

He predicted that as personal computer performance increases PCs will become the building blocks of networked computer systems that replace mainframes and minicomputers in all types of applications over the next two decades. Such a transformation would, he said, reduce the cost of computer power.

Compaq also announced yesterday a lower priced version of its 386SX model, a single user 386-based personal computer which offers many of the features of the higher priced machines for a price of \$4,699.



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Lloyds Bank International Private Banking

U.S. \$150,000,000  
Chemical  
New York Corporation  
Floating Rate  
Subordinated Notes Due 1996  
Interest Accrual Period: 24th February 1989 to 28th May 1989 (inclusive)  
Interest Amount per U.S. \$10,000 Note due 6th June 1989: U.S. \$257.15  
Credit Suisse First Boston Limited  
Agent Bank

CITICORP BANKING CORPORATION  
U.S. \$50,000,000 Floating Rate Notes due August 20, 1989  
Notice is hereby given that the Rate of Interest for the period May 23, 1989 to August 20, 1989 has been fixed at 7.625% and that the interest payable on the relevant Interest Payment Date, August 20, 1989 against Coupon No. 12 in respect of US\$10,000 nominal of the Notes will be US\$241.35.  
May 23, 1989, London  
By Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK



## Barlow Rand Limited

(Incorporated in the Republic of South Africa)  
(Reg. No. 02/00095/06)

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### Interim results for the six months to 31 March 1989

- \* Strong overall growth
- \* 39% improvement in earnings per share
- \* Interim dividend raised by 31%

	Six months ended		Change %	Year ended
	1989	1988		1988
	Rm	Rm		Rm
Turnover	12,405.4	9,879.1	26	21,178.8
Operating profit before interest	1,279.5	891.7	44	2,022.6
Profit before taxation	1,197.1	859.7	39	1,940.7
Profit after taxation	779.5	570.8	37	1,324.1
Attributable profit	438.2	311.4	41	742.1
Earnings per share (cents)	238.2	171.6	39	408.2
Dividend per ordinary share (cents)	51.0	39.0	31	130.0

**Prospects**  
It has been a pleasing first half with sound performances throughout the group. Capital expenditure on new ventures, together with recent acquisitions, has contributed much to the improvement.  
There are signs of a slowdown in some markets (mainly those connected with housing and consumer durables and semi-durables) and the latest measures to slow the economy will undoubtedly cause a further falling-off in consumer demand. However, export prospects remain strong for the remainder of the year and best advantage will be taken of the opportunities that arise. Management is highly motivated and the group should have a good year.  
  
The interim report will be posted to shareholders on or about 29 May 1989. Additional copies will be available from The Registrar, Lloyds Bank Plc, Goring-by-Sea, Worthing, West Sussex BN12 6DA, Tel. (0903) 502541.

#### THE KINGDOM OF BELGIUM

### U.S. \$100,000,000 FLOATING RATE BONDS DUE NOVEMBER 1988

In accordance with the provisions of the Bonds, notice is hereby given that the Rate of Interest for the sixth interest period from the 22nd May, 1989 to 22nd November, 1989 has been fixed at 9.5625 per cent per annum.  
Interest payable on each US \$250,000 on the relevant interest date, 22nd November, 1989 will be US \$12,218.75

SVENSKA INTERNATIONAL PLC.  
Agent

#### WOOLWICH EQUITABLE BUILDING SOCIETY

### £200,000,000 Floating Rate Loan Notes Due 1995

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest period from (and including) 22nd May, 1989 to (but excluding) 22nd August, 1989, the Notes will carry a rate of interest of 13 1/4 per cent per annum. The relevant interest payment date will be 22nd August, 1989. The Coupon Amount per £10,000 will be £333.97, payable against surrender of Coupon No. 14.  
Hansabank Limited  
Agent Bank

#### SARAKREEK PARTICIPATIONS N.V. ESTABLISHED IN CURACAO NETHERLANDS ANTILLES

Notice is hereby given that an interim cash dividend of US\$2.00 per share was declared on May 12th, 1989 and shall be payable as of May 24th, 1989. The cash dividend is payable against delivery of coupon number 74 to the offices of Statutory Generale de Luxemburg S.A., 14, Rue Aldringen, 2051 Luxembourg.  
  
The cash dividend on registered shares shall be sent by mail to entitled shareholders.  
Amro Trust Corporation N.V.  
Managing Director

## INTERNATIONAL COMPANIES AND FINANCE

### Return to core businesses helps Premier raise sales

**By Jim Jones in Johannesburg**

PREMIER GROUP, the South African food and consumer products supplier, raised total sales by almost a third in the year to March to reach R4.15bn (£1.53bn) from R3.20bn. Pre-tax profits reached R288m against R216m.

The company expects further growth this year despite what Mr Peter Wrighton, chief executive, describes as instability in the South African economy and punitive interest rates.

In Johannesburg yesterday Mr Wrighton said the group had concentrated recently on rationalising operations where performances were not

satisfactory.

The egg division was sold in the latter part of the year and the loss-making broiler chicken division is being restored to profits after being merged with two competitors.

Mr Wrighton said Premier's traditional core businesses - food, fishing, pharmaceuticals, wholesale and retail distribution, and entertainment and leisure - now contribute about 35 per cent of earnings against 65 per cent derived from the controlling shareholding in South African Breweries (SAB).

The core businesses provided

only 10 per cent of earnings in 1986, he said, adding that the change indicates the growth in the traditional businesses.

Mr Wrighton was reluctant to forecast this year's likely performance, saying the "go-stop-go" economy, high interest rates, divestment sanctions and a politicised labour force.

None the less, he expects sales and profits to grow this year.

Net earnings rose to 419 cents a share from 317 cents and the dividend has been increased to 172 cents from 140 cents.

### Barlow Rand's turnover up over 25%

**By Jim Jones**

BARLOW RAND, the South African industrial and mining group, lifted sales by more than a quarter in the six months to March and expects stronger exports to help offset any slowing in domestic demand during the second half.

On turnover which increased to R12,405.4m (£4.63bn) from R9,879.1m (£3.63bn), pre-tax profit was R1,279.5m against R866m.

Practically all the group's non-mining divisions benefited from stronger demand although Mr Warren Clewlow, the chief executive, expects consumer demand to slacken in the wake of recent austerity measures introduced to curb imports.

Nevertheless he believes the domestic economy is underpinned by black consumers and businesses.

Black entrepreneurs are moving upwards from the informal sector into the formal at a greater rate than expected, adding momentum to the economy. Economic growth is also being underpinned by improved exports.

Foreign demand for ferro-alloys, stainless steel and coal has been particularly strong while packaging and other subsidiaries have increased their export market penetration.

Net earnings increased to 238 cents a share from 172 cents and the interim dividend has been lifted to 51 cents from 39 cents. Last year's full earnings were 408 cents and the year's dividend 130 cents.

### Coal side lifts Rand Mines

**By Jim Jones**

FIRMER EXPORT demand for coal and increased profits from base minerals operations allowed Rand Mines, the South African mining group, to overcome poor gold mining revenues during the six months to March.

Pre-tax profit increased to R14.5m (£5.4m) from R9.2m on turnover of R520m up from R386m.

Operating profit before dividend income, exploration expenditure and tax rose to R138.2m from R92m.

Last week the group warned that two of its gold mines, East Rand Proprietary Mines (ERPM) and Durban Deep, faced closure unless the state provided financial assistance to cover operating losses at present gold prices. The request is being considered by

the cabinet this week, underlining the seriousness of possible mine closures.

More than a dozen gold mines producing about one fifth of South Africa's gold are unprofitable at present.

Coal export prices and demand were firm as consumers turned back to South Africa when other producing countries were unable to meet contractual sales.

Demand for chrome and stainless steel has been particularly strong and, in the six months, Rand Mines lifted its interest in Vanasa, the new vanadium producer, to more than 50 per cent. A platinum mine is being developed and is expected to produce its first metal late this year.

Net earnings increased to 890 cents a share from 696 cents

and the interim dividend has been raised to 130 cents from 105 cents. Last year's earnings totalled 1,467 cents and the year's dividend was 450 cents.

Rand Mines is controlled by Barlow Rand, the industrial and mining group.

Lydenburg Platinum lifted pre-tax profits to R12.48m in the six months to April from R10.67m, and has lifted its interim dividend to 70 cents per share from 61 cents.

This was paid from net earnings per share of 86.7 cents compared with 74.0 cents in the previous year's figure. Excluded any benefit from a R9.33m special dividend received from Rustenburg Platinum. Lydenburg said the income was retained in part to finance the purchase of a stake in Lebowa Platinum.

### Disclosed profit increases 27.6% at Volkskas

**By Jim Jones**

VOLKSKAS, South Africa's fourth largest banking group, increased its disclosed after-tax profit by 27.6 per cent in the year to March in spite of significantly narrower banking margins during the second half.

The disclosed profit rose to R91.0m (£33.6m) from R71.3m, total assets increased to R18.4bn from R15.1bn and advances increased to R10.4bn from R8.9bn.

The bank's growth has been slower than that of some of its large competitors which have been particularly active in developing mortgage-lending business.

Volkskas owns 30 per cent of United, the country's largest building society, and is in turn owned 30 per cent by United.

Mr Danie Cronje, the managing director, has not forecast this year's likely performance. However, demand for consumer credit is slowing in the wake of credit curbs and higher interest rates.

Net earnings were 214 cents a share against 186 cents and the year's dividend has been raised to 78 cents from 73 cents.

### Asahi Chemical scores 33% gain at pre-tax level

**By Robert Thomson in Tokyo**

ASAHI CHEMICAL Industry, the leading Japanese manufacturer of acrylic fibres, has announced a 38.2 per cent increase in annual pre-tax profit to ¥71.9bn (£585.7m) despite a slight fall in fibre sales.

The company has been expanding its building materials division, which experienced strong demand in line with the increased sales in the building industry.

Fibres have fallen below 20 per cent of the company's sales for the first time, while building materials and houses not account for about 30 per cent, and chemicals and plastics, for which sales grew steadily last year, comprise about 47 per cent.

Total sales rose 6.8 per cent to ¥817.2bn, which is a record, and sales for the current year are expected to be about ¥870bn with pre-tax profit predicted to be around ¥75bn.

● Mitsubishi Rayon, another leading acrylics producer, lifted pre-tax profits 4.8 per cent to ¥9.16bn on sales up 3.3 per cent to ¥200.3bn.

### Oji Paper reports 48% rise in pre-tax profit

**By Stefan Wagstyl in Tokyo**

OJI PAPER, Japan's largest paper maker, which has been making investments in North America and in Europe, yesterday reported a 47.7 per cent increase in annual pre-tax profits to ¥47.2bn (£340m).

Profits exceeded the previous record reached in 1985 due to strong demand which boosted margins, said Oji, which was reporting parent company results for the year to March.

Sales rose 8.5 per cent to ¥421bn, with large increases recorded in sales of paper for newspaper and magazines.

Net profit was ¥23.0bn against ¥15.7bn.

The dividend was increased to ¥8.5 with the addition of a ¥1.5 special dividend.

For the current year, Oji expects sales to increase to about ¥475bn but profits could be flat due to a rise in raw material costs caused by the recent fall in the yen.

### Olympus Optical boosts revenue from cameras

OLYMPUS OPTICAL, the Japanese camera maker and the world's largest maker of endoscopes, reported significant growth in camera sales in the first year of its new annual accounting period in which consolidated pre-tax profit was ¥13.13bn (£96m) writes Robert Thomson in Tokyo.

Sales of cameras rose 47.4 per cent, endoscopes 5.2 per cent, and microscopes 4.1 per cent, while consolidated sales were ¥191.6bn.

Sales for the parent company alone were ¥139.18bn with a profit to end March of ¥9.74bn.

It is expected that sales will rise 11.4 per cent this year, while profit is predicted to increase 18 per cent on the basis of continuing growth in camera sales and a reduction in sales costs.

New Issue The announcement appears as a matter of record only. May 22, 1989

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COMMERZBANK AKTIENGESELLSCHAFT	DRESDNER BANK AKTIENGESELLSCHAFT	
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BANQUE BRUXELLES LAMBERT S.A.	DG BANK	J. P. MORGAN GMBH
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Guaranteed Floating Rate Notes Due 2004




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#### The Taiyo Kobe Bank, Limited

Interest Rate	9 3/4% per annum
Interest Period	22nd May 1989 22nd November 1989
Interest Amount per U.S. \$10,000 Note due 22nd November 1989	U.S. \$498.33

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### U.S. \$100,000,000



#### Allied Irish Banks plc

Undated Floating Rate Notes  
Subordinated as to payment of principal and interest

Interest Rate	9 1/8% per annum
Interest Period	22nd May 1989 22nd November 1989
Interest Amount per U.S. \$10,000 Note due 22nd November 1989	U.S. \$507.92

Credit Suisse First Boston Limited  
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### Framatome S.A.

### SFr 35,000,000

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Agent Bank  
Manufacturers Hanover Limited

April, 1989 **The Investment Banking Group**

#### WATER INDUSTRY

The Financial Times proposes to publish this survey on:

25th July 1989

For a full editorial synopsis and advertisement details, please contact:

DENIS CODY  
on 01-873 3301

or write to him at:

Number One  
Southwark Bridge  
London  
SE1 9HL

**FINANCIAL TIMES**  
EUROPE & BUSINESS NEWSPAPER

### LABINAL/TURBOMECA

The respective Extraordinary General Meeting of LABINAL and SOCIÉTÉ FINANCIÈRE TURBOMECA (SOFIT) met on 28th April 1989 and approved the merger of SOFIT into LABINAL which holds now 88.8% of TURBOMECA.

This new entity would have achieved in 1988 sales of FF 6.315 million, a net income of FF 212 million and it would have employed 15,000 people.

LABINAL's main product lines are:

- small and medium power gas turbines,
- aeronautical components and systems,
- automotive components and systems.

Further to the merger the capital of LABINAL has been increased from FF 323,877,100 to FF 410,757,700 by the issuing of 868,806 new shares with rights as of 1st January 1989. Of those new shares, 809,590 have been granted to SOPARTECH which therefore holds 45% of LABINAL's capital.

Besides, it is reminded that several financial institutions retain a direct shareholding of 12.5% in LABINAL's capital. The latter and its subsidiaries own 6.5% of the LABINAL shares.

Finally, the Extraordinary General Meeting of LABINAL appointed as directors of the company, SOFIT's directors who were not yet members of the board of LABINAL, namely Mrs Monique ANTIGLO, Messrs Serge BECCHETTI, Paul JOCTEUR-MONROZIER, Michel METON, Jacques MITTERRAND, Michel VERDIER and Mrs Dorothea WITTEW.

INTERNATIONAL CAPITAL MARKETS

Toyota Motor launches \$1.5bn warrants issue

By Andrew Freeman

EUROBOND traders searched largely in vain for fixed-rate funding opportunities yesterday...

'back some bonds in the market as co-managers looked to take immediate profits, but added that the amount was small in view of the issue size.

In Germany yesterday, prices dropped by around 15 pfennigs in quiet market conditions. Dealers said the continuing strength of the dollar was behind the falls.

INTERNATIONAL BONDS

lated that some long-term holders of such paper might be tempted to take profits this week.

New-issue activity was limited and was dominated by two dollar deals. Nomura International was the lead manager of a \$1.5bn equity warrant issue for Toyota Motor Corporation...

The warrants were quoted at less than 120 bid, well inside underwriting fees of 1 1/2 per cent. The launch spread tightened sharply to around 33 basis points as the Treasury market continued its strong form.

There was much speculation about the swap behind the deal. Norinchukin is the counterparty with the borrower, and the funds were swapped into floating-rate DMs using what an official described as a complicated structure.

The bank's last reverse repurchase tender, held last week, was a £1,500bn operation undertaken at a weighted average yield of around 11.95 per cent. The maximum yield was 12.25 per cent.

NEW INTERNATIONAL BOND ISSUES

Table with columns: Issuer, Amount, Coupon, Price, Maturity, Fees, Book runner. Includes Toyota Motor Corp, ABB, and others.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Large table of international bond data with columns for US Dollar, Deutsche Mark, and Swiss Franc, including issuer, amount, coupon, price, maturity, and yield.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday 22 May 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Table of world currencies with columns: Country, £ STG, US \$, D-MARK, YEN (x 100), and Country, £ STG, US \$, D-MARK, YEN (x 100).

Special Drawing Rights May 19, 1989 United Kingdom £0.777424 United States \$1.25783 Germany West D Mark 2.47667 Japan Yen 174.209 European Currency Unit Rates May 22, 1989

TRADE INDEMNITY THE CREDIT RISK MANAGERS

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Advertisement for Chemicals Industry: 'The Financial Times proposes to publish this survey on: 11 JULY 1989 For a full editorial synopsis and advertisement details, please contact: DENIS CODY on 01-873 3391'

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INTERNATIONAL CAPITAL MARKETS

London traded options seeks to go it alone

Katharine Campbell on the LTOM's plans to escape the ISE's 'stifling bureaucracy'

The London Traded Options Market would like to have its cake and eat it. After 11 years in the shadows, it will be a delicate business ensuring that its wishes are for once indulged.

However, the market is currently starved of resources for urgent systems development and extensive marketing; it is an expensive market to trade and members, lacking a seat structure, are insufficiently committed to LTOM's viability.



Geoffrey Chamberlain: time for re-assessment

More autonomy for the options market is not a novel idea. A 1985 report to the council suggested a similar move. However, Mr Geoffrey Chamberlain, the chairman of the options committee, has clearly sensed an unusual opportunity to resuscitate the idea in recent months.

For instance, the Dutch European Options Exchange has been a particular thorn in the flesh ever since it prompted the creation of LTOM. The Amsterdam market was threatening to list options on UK stocks which could have drawn some of the underlying equities business to the Netherlands.

Despite its large contribution to overheads, the options committee has a minimal input into exchange-wide decisions that may crucially affect the viability of LTOM. One small instance of this was when LTOM was not formally consulted about the preliminary recommendations of the Elwes committee which, it was feared, would diminish options liquidity on the options floor by severely reducing the visibility of stock pricing.

While LTOM is seeking vastly enhanced policy and financial control, it appears for the moment at least to believe it has more to gain from retaining its ISE ties, even though logic might suggest it has more in common with the rest of London's derivative markets.

Still, in the past year or so LTOM has clearly cast envious eyes at the London International Financial Futures Exchange, partly from the point of view that it has a well-run bureaucracy that appears to operate for the benefit of its members. Dealing on the Liffe floor is also a good deal more professional than it is in LTOM.

When the report comes to council's vote there could be a fine balance between those representatives of the other markets under the ISE umbrella who are prepared to help LTOM on its way towards relative budgetary autonomy, in the hope that they may ultimately benefit themselves, and those who refuse to buy the argument that LTOM should be a different case.

Another constitutional matter is the issuance of seats or trading permits, which could affect other markets. There is also the difficulty of persuading members to spend up to £20,000 or more for each trading right.

Kredietbank profits rise 17% to BFr4bn

By Tim Dickson in Brussels

KREDIETBANK, the major Belgian bank whose activities are concentrated in the thriving Flemish part of the country, announced yesterday that its net profits in the year ended March had jumped more than 17 per cent to BFr4.324bn (\$104.82m).

The result comes just a few days after last week's announcement of a 1.3 per cent rise in profits by Banque Bruxelles Lambert (BBL), another of Belgium's "big three" commercial banking groups, along with a record one-for-seven rights issue to raise BFr6m.

In April, attributed its profits growth last year to "a brisk expansion of activity", a lower increase in overheads (which went up by 5.2 per cent during the period against 7.9 per cent in 1987/88) and a 15 per cent fall in depreciations and provisions to BFr2.976bn. This was "despite a substantial increase in the allocation to the internal provision for credit risks".

Net earnings per share rose by 16.6 per cent to BFr36L5. YAMAICHI SECURITIES, the fourth-largest securities house in Japan, has reported a 28 per cent rise (on an annualised basis) in revenue to Y268.8bn (\$1.9bn) for the parent company.

Yamaichi lifts revenue 23%

YAMAICHI SECURITIES, the fourth-largest securities house in Japan, has reported a 28 per cent rise (on an annualised basis) in revenue to Y268.8bn (\$1.9bn) for the parent company. In the six months to the end of March pre-tax profits also increased by 51.2 per cent to Y108.3bn and the net result to Y46bn, up 20.2 per cent.

Treasuries soar as dollar passes Y140 and DM2

By Karen Zagor in New York and Katharine Campbell in London

TREASURY BOND prices rose sharply in New York yesterday, responding positively to the soaring dollar which smashed through two psychologically important levels - Y140 and DM2.

At midday the Treasury's benchmark 30-year long bond was up 1/4 point to 102 1/2, yielding 8.60 per cent, its lowest level since last March.

GOVERNMENT BONDS

ket was dominated entirely by the strength of the dollar, which showed no sign of weakening despite concerted central bank intervention.

At midday the dollar had risen to about Y142.00 and DM2.090 in New York from Y138.98 and DM1.976 late on Friday. The White House expressed concern about the dollar's strength and said that if the currency's rise was not curbed it could undermine "international efforts to reduce global trade imbalances".

Any unexpected news in today's durable goods figures is likely to trigger a strong market reaction. While durable goods are relatively low in the hierarchy of important economic indicators, the market seems willing to respond to any hint of a change in the economic climate.

BENCHMARK GOVERNMENT BONDS table with columns for Country, Coupon, Red Date, Price, Change, Yield, Week Ago, Month Ago.

THE GERMAN market, stunned as the dollar traded in a narrow bearish range, with a small amount of business generated by some professional short covering.

THE FRENCH market traded down, also reflecting international interest rate concerns in the light of continuing dollar strength. In the cash market, the tap stock 8 1/2 per cent due 1999 was trading off the day's, but still 13 centimes weaker at 95.47 to yield 8.82 per cent.

As the yield on the benchmark 11 1/2 per cent treasury bond due 2003-2007 ended at 9.867 per cent, some traders foresaw 10 per cent yields as a distinct possibility.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY table showing British Funds, Corporations, and other market movements.

LONDON RECENT ISSUES table listing various securities with their prices and yields.

FIXED INTEREST STOCKS table showing interest rates for different terms.

RIGHTS OFFERS table listing company rights and offers.

TRADITIONAL OPTIONS table listing various options and their prices.

LONDON TRADED OPTIONS

LONDON TRADED OPTIONS table with columns for Calls, Puts, and various option contracts.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FT-ACTUARIES SHARE INDICES table showing various equity groups and sub-sections with their performance metrics.

FIXED INTEREST table showing average redemption yields for different terms.

PRICE INDICES table showing various price indices and their changes.

FUTURE OF EUROPEAN CAPITAL MARKETS advertisement for a survey on the above on July 1st 1989.

UK COMPANY NEWS

# Greenall's £19m ahead of City forecasts

By Lisa Wood

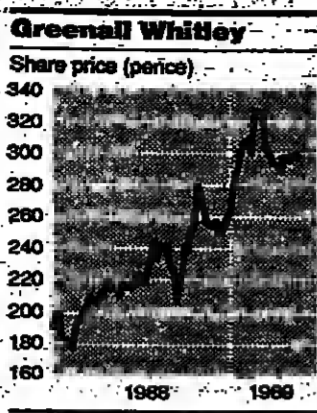
GREENALL WHITNEY, the north-west England brewing and hotels group, raised its pre-tax profit by 14.5 per cent, from £17.06m to £19.5m, for the half year ended March 31st 1989, and was ahead of City forecasts.

Basic earnings per limited voting share were 10.5p, an increase of 18 per cent on the 9p of last year. The interim dividend is raised 20 per cent to 3.3p (2.75p).

Greenall, with 1,625 public houses, is Britain's largest regional brewer and has made its own protest to Lord Young, the Trade and Industry Secretary, over the Monopolies and Mergers Commission report on the brewing industry.

Mr Thomas, managing director of Greenall, said yesterday that he was hoping to meet Mr Francis Maule, Minister for Corporate Affairs, to voice his criticisms of the report. These include the proposed abolition of free trade loans with Greenall having some £20m invested in loans to clubs and pubs - and guest beers. Greenall has delayed revaluation of its pubs, due this year, until 1990 when it believes the market place will be more settled.

Turnover for the half year was seven per cent up at £224m (£219m), with much of the lift-



coming from food retailing in pubs. Operating profits of £26.75m showed an increase of 18 per cent, but had to bear higher net interest costs of £2.88m (£7.49m). A surplus of £2.6m was made from property disposals (£2.06m).

Operating profits from the beer division were £16.5m, an increase of 8.5 per cent. Beer volumes were static in a highly competitive market place while food retailing did well.

De Vere Hotels, the UK hotels operations, lifted profits by 38 per cent to £7.5m (£5.4m).

with two new hotels opened during the period. The five US operations again made a loss of £280,000. Mr Thomas said the problems there lay with one hotel where it was proving difficult to increase occupancy rates.

The leisure and other drinks businesses - including Vladimir vodka, pushed up profits by 24 per cent to £4.24m (£3.42m).

COMMENT

Greenall's results were ahead of City forecasts, the UK hotels performing better than expected with some 27 per cent of profit increases coming from organic growth. The US hotels continue to disappoint with Greenall still promising better things to come. Brewing profits were pedestrian although cost benefits will start to come through later this year on the closure of the brewery in Birmingham. The costs, around £5m, will be taken as an extraordinary item in the second half of the year. Greenall's lager brands could be vulnerable to competition should guest beers be introduced in its pubs. Analysts, who were disappointed yesterday by the delay of the property revaluation, are looking for £52.5m for the full year, giving a prospective multiple of 11.3 times.

# DTI clears Burton after investigation

By Maggie Urry

THE CLOUD of a Department of Trade and Industry investigation finally lifted from Burton, the retailer, yesterday when the company announced that the inquiries had been concluded.

The investigation, under Section 447 of the Companies Act 1985, related to the group's acquisitions and disposals over a three-year period, notably the £560m purchase of Debenhams, the department store group, in 1986.

Burton said: "Neither the DTI nor any other regulatory authority will be taking the matter further."

"We are delighted that this matter is closed. Any uncertainty has been removed," said Sir Ralph Halpern, chairman.

Investigations under Section 447 are usually confidential. However, the existence of an investigation into Burton had

been rumoured in the stock market throughout 1987, and was confirmed by Sir Ralph at the annual meeting in January 1988. The uncertainty created was one element in a poor share price performance for the company.

At the annual meeting this year Sir Ralph said that the investigators had left the company the previous summer. Burton said yesterday that there had been no further visits and the company had asked the DTI what the position was and had been told the matter was closed.

Yesterday's announcement did little to help the shares avoid the stock market fall and they closed down 5p at 234p. Stockbrokers' analysts said that the investigation had been going on for so long that people had largely forgotten about it.

# LOF returns to profit for first time since 1980 with £627,000

By Vanessa Houlder

LONDON & OVERSEAS Freighters, the UK tanker company which underwent a major capital reconstruction in November, turned around from net loss of \$1.81m (£1.19m) to a profit (on which no tax is payable) of \$1.01m (£627,000) in the year to March 31.

The company is also returning to the dividend lists with a proposed payment of 0.5p per share. This is both its first dividend and its first after tax profit for a full financial year since 1980.

Mr Miles Kulukundis, managing director, said: "We have excited a rather long and dire tunnel which we entered in 1981 and we have done it at a time when the environment for our industry is still attractive... It is the best market environment for shipping I have ever experienced".

Gross earnings earned increased from \$11.28m to

\$14.06m. This rise that was underpinned by a cut in surplus tankers from over 50 per cent of the total fleet in 1984 to just over 20 per cent in 1988.

That stems from a closer balance between the numbers of vessels scrapped and those constructed and from the increase in OPEC production, which has helped boost the tanker trade.

A formal valuation of the two vessels showed their market value to be \$19m each, which compares with a depreciated book value of \$13.63m. Using current market values, net assets per share stand at 100p.

Last November, the company raised \$4.5m, through an offer to shareholders, which increased LOF's capital tenfold. The offer, which was taken up by 28.5 per cent of shareholders, left 64.4 per cent

of the consolidated shares with Seneca Shipping Corporation, a company owned by the Kulukundis family.

The offer triggered an agreement with creditors that more than halved its \$40m of debts. Mr Derek Kimber, chairman, said that the company had a reasonable level of debt, sufficient liquidity to face its anticipated cash flow requirements and a degree of flexibility that would have been inconceivable a year ago.

LOF's goal was to become a substantial bulk shipping enterprise, taking full advantage of its public quotation, said Mr Kimber. However the company said it had no preconceptions about how it would do this.

LOF's shares rose by 7p to 90p. This represents a 60 per cent rise on the low of 56p hit just after the rights issue.

However, after adjusting for the reorganisation of the share capital, it represents a steep decline from the peak of £33.64 hit at the top of the bull market in mid-1987 when the shares were buoyed by bid speculation.

From a loss per share of 0.4p it moved to a profit per share of 0.3p.

# Newman Tonks takes Laidlaw for £14.5m

By Richard Tomkins, Midlands Correspondent

NEWMAN TONKS, the Birmingham-based manufacturer of architectural hardware, is taking its first step into distribution with a £14.5m agreed bid for the USM-quoted architectural ironmonger Laidlaw Thomson.

The success of the cash and share bid was assured yesterday when Newman announced it had secured irrevocable undertakings to accept the offer in respect of 50.16 per cent of Laidlaw's shares.

Mr Cecil Bucket, Newman Tonks finance director, said one of the main reasons for

buying Laidlaw was that overseas manufacturers of architectural hardware were increasingly seeking to enter the UK distribution chain in the run-up to the single EC market of 1992.

The terms of the offer are one new Newman Tonks share plus 7p cash for every Laidlaw Thomson share, valuing Laidlaw at 211p a share against last week's 162p.

Newman Tonks closed yesterday at 204p and Laidlaw at 203p.

Laidlaw made pre-tax profits of £1.3m on turnover of £26.5m in 1988.

# Magnet's £629m buyout wins 69.8% backing

By David Waller

THE SECOND closing date for the £629m buyout bid for Magnet has passed with 69.8 per cent of the ordinary shareholders giving their backing for the offer, up from 51.6 per cent at the first close a fortnight ago last Friday.

However the level of acceptances for the £78m offer for the convertible shares - the terms of which have drawn fierce criticism from some institutions - stood at 37.9 per cent, up from 28.9 per cent but still not enough for the bid to be declared unconditional.

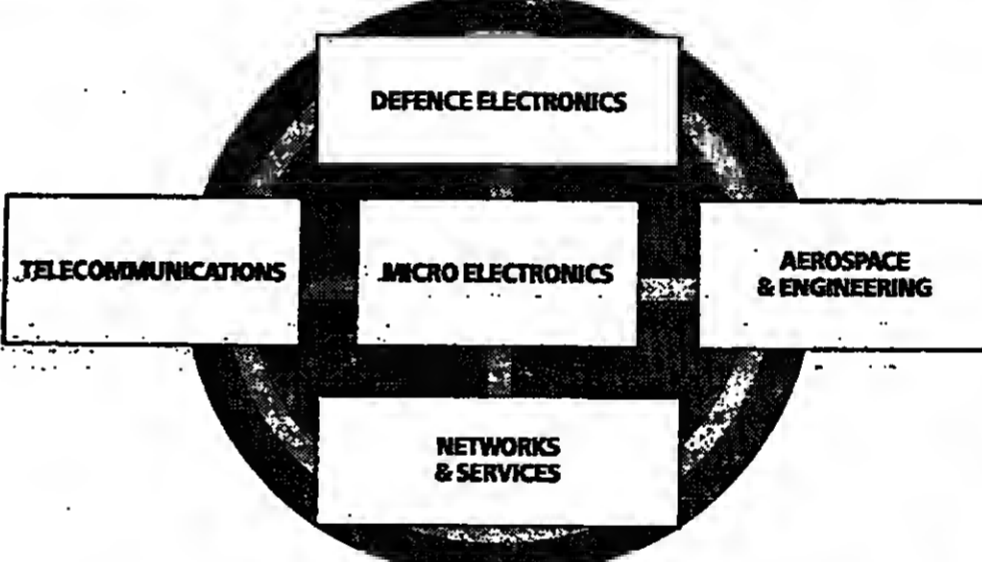
The offer for the kitchens company has been extended until 3pm on Friday this week. In the meantime, the manage-

ment team and its advisors will attempt to hammer out a compromise deal with the recalcitrant preference shareholders.

Neither Sun Life, which holds more than 10 per cent of this class of shares, nor Bankers Trust, advisors to the buyout team, would comment on the status of negotiations now taking place.

It is formally possible for the buyout team - led by Mr Tom Duxbury - to declare the bid unconditional with less than 90 per cent acceptances from the preference holders. However, this would make the financing of the transaction a good deal more onerous.

# ALL TOGETHER



# A RECORD YEAR

FINANCIAL HIGHLIGHTS (Year ended 31 March 1989)	
● Record turnover £1,654.9 million	up 27%
● Record operating profit £199.3 million	up 34%
● Record profit before tax £195.5 million	up 14%
● Record earnings per share 17.57p	up 10%
● Record order book £2,138.4 million	up 23%
● Record dividend (proposed) 7.658p	up 15%

Extracts from a statement by the Chairman, Sir John Clark.

"This performance reinforces my confidence in our ability to sustain strong future growth.

"The achievement is particularly satisfying since the hostile GEC-Siemens bid diverted considerable management resources for almost half the 1988/89 financial year.

"Our performance also confirms the value of the strategic moves we made during the year. We entered the high growth networks and services sector through the acquisition of the Hoskyns Group and substantially increased our presence in the North American defence market through the acquisition of Plessey Electronics Systems Corporation in the USA and Leigh Instruments in Canada.

"Plessey Semiconductors enjoyed a buoyant year; the Orbital and Plessey-Telenet joint ventures made excellent progress. Our defence business

around the world continued to expand and the greater part of our defence order book is now outside the UK.

"The value of our interest in GPT is now more widely recognised. GPT management have made impressive progress in creating an integrated, international telecommunications company from the operations of Plessey and GEC committed to this joint venture although progress has been affected by the GEC-Siemens bid.

"Our financial performance is the result of a clearly focused, coherent, international growth strategy with a balanced portfolio of businesses and an enthusiastic and energetic management team. The moves we have made, the strategies we are pursuing and the team we have in place demonstrate clearly the quality and outstanding potential of an independent Plessey."



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(English and Dutch Investment Trust)

Established in Amsterdam  
PARTICIPATION CERTIFICATES  
(Issued by Royal Exchange Assurance)

NOTICE IS HEREBY GIVEN that a gross dividend of fl. 5.00 (five florins) will be payable in Sterling on or after 26th May 1989 against presentation of coupon no. 39.

The dividend will be payable as follows, subject to the provision of the appropriate Netherlands Tax Affidavit where necessary:

(a) Certificate Holders who are subject to United Kingdom Income Tax, less 15 per cent Netherlands Withholding Tax, and United Kingdom Income Tax at 30 per cent on the gross dividend.

(b) Residents of other countries with which The Netherlands have concluded tax agreements, under deduction of 15 per cent Netherlands Withholding Tax.

(c) Residents of all other countries, less 25 per cent Netherlands Withholding Tax.

Certificate Holders resident outside the United Kingdom will receive payment less United Kingdom Income Tax at the rate of 25 per cent on the net amount unless the coupon is accompanied by a United Kingdom Affidavit of non-residence. The aforementioned rates of tax apply only in respect of coupons presented on or before 24th November 1989.

Thereafter, Netherlands Withholding Tax will be deducted at the rate of 25 per cent and the United Kingdom Income Tax, where applicable, at the rate of 20 per cent from the net amount remaining.

For the period of 26th May 1989 to 24th November 1989 the dividend will be paid in Sterling at the rate of exchange ruling on the day of presentation of the coupon. Coupons presented thereafter will be paid in Sterling at the rate of exchange ruling on the 24th November 1989.

To obtain payment, coupon no. 39, must be presented at the office of JPM. Smeets Bank Limited, 45 Beach Street, London EC2A 3JX. ("the Paying Agent")

Coupons must be held in numerical order on special forms obtainable from the Paying Agent and must be left there clear days for examination.

Coupons are available on request to the Paying Agent at the above address of the present Conditions relating to the Participation Certificates which Conditions replace those printed on the back of the existing Participation Certificates.

From January 1st, 1990 holders of Participation Certificates will be entitled to convert their Certificates into ordinary shares quoted in Amsterdam. Holders wishing to convert should apply to the Paying Agent to obtain the necessary forms which will be available after December 1st, 1989 and a further notice will be published closer to that time in respect of conversion.

ROYAL EXCHANGE ASSURANCE  
Conventry House, 3 South Place, London EC2M 2QB

To the Holders of  
**SHEARSON LEHMAN CMO, INC.**

Series F, Class F-1 Floating Rate Bonds  
Due February 20, 2018

Pursuant to the Indenture dated as of February 1, 1985 between Shearson Lehman CMO, Inc. as Issuer and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period May 20, 1989 through August 19, 1989 as determined in accordance with the applicable provisions of the Indenture, is 10.3125% per annum. Amount of interest payable is \$215,591,247.6 per \$10,000 principal amount.

**SHEARSON LEHMAN CMO, INC.**

## UK COMPANY NEWS

## RHM counts the cost as it calls off bid for Goodman

By Nikki Tait in London and Chris Sherwell in Sydney

RANKS HOVIS McDougall, the food and bakeries group, has incurred costs of almost £25m during its abortive £1.3bn offer for Sydney-based Goodman Fielder Wattle.

The UK group formally announced that it was calling off the bid for Goodman yesterday, although the decision had been widely anticipated following last week's purchase by the Sunningdale consortium, led by Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packard, of the 103.7m shares, 29.9 per cent, which Goodman held in RHM.

RHM is now expected to dispose of its 14.9 per cent stake in Goodman and probably fall in the £22m-£25m range. It added that over half that figure was explained by the underwriting expenses involved in the bid. The company had offered an underwritten cash alternative to its share swap terms.

The figure for costs is struck before allowing for any potential impact of selling RHM's interest in Goodman. The stake was largely bought at around the AS2.50 level, while Goodman shares yesterday lost ground on the Australian share market, falling 7 cents to AS2.35.

In yesterday's statement confirming that it had abandoned its takeover bid, RHM said Goodman Fielder's sale of its RHM shares removed a key feature of the offer, namely the planned cancellation of the holding. That, it claimed, would have had the effect of reducing the "number of shares over which the benefits of the acquisition were to be spread and to limit the dilution of existing shareholders' interests."

It added that it also believed that the offer would no longer have "a strong possibility of success". RHM required its own shareholders' approval and Sunningdale had made clear that it would vote against the offer. Recent trading had also probably given arbitrators a significant stake in the UK food group.

## ABF boosted by £10m rise in investment income

By Nikki Tait

ASSOCIATED BRITISH Foods, the milling and baking concern, yesterday unveiled pre-tax profits 13 per cent higher at £237.1m in the 52 weeks to April 1. This compared with £210.4m in the previous 52-week period.

Group sales in 1988/9 were up from £2.77bn to £2.5bn, and at the earnings per share level — after a tax charge down from 33.6 per cent to 30.5 per cent — the figure improves by 17.7 per cent to 35.9p. A second interim dividend of 6.5p (8.9p) a share is proposed.

The profit increase, however, is largely due to progress by the retail operations, overseas businesses, and a £10m increase in investment income.

ABF also said yesterday that it had taken all profits on sales of properties used in continuing businesses at the trading level — as opposed to including them in the extraordinary item, as in previous years. The contribution to trading profits is not split out but analysts put this at around £35m-£40m.

ABF, however, continues to charge reorganisation costs against trading profits, and says that these — net of associate property profits — were not significantly different from the previous year's figure of £3.5m.

In the main UK manufacturing division, sales rose 8 per cent to £1.31bn, while profits increased 5 per cent to £78.2m. ABF says the figures were below budget, partly due to delays in commissioning capital investment, and larger than

expected redundancy and closure costs. During the year, group capital investment amounted to £132m at home and overseas.

The retail companies saw profits rise by £3.5m to £15.5m although sales were unchanged at £266m. And the overseas operations produced profits up £3.3m to £49.2m, from sales £121m higher at £986m. ABF says that currency realignments benefited the figures to the tune of £5m and £56m respectively.

Meanwhile, investment income contributed £22.2m (22.2m) — although ABF says this was marginally lower than anticipated. Below the line there is a £35.5m extraordinary surplus — compared with a £27.5m charge — comprising a small write-down in the value of the 15 per cent stake in Gateway to 254p a share, offset by profit on asset sales.

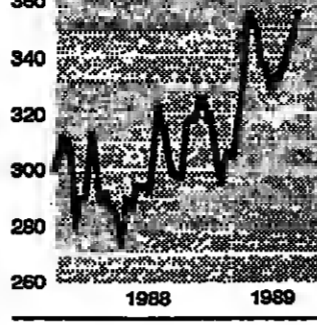
Mr Garry Weston, chairman, declined to comment on whether the company would get involved in the current Nabla auction, but said that ABF had applied for the initial information.

## COMMENT

Yesterday's 1p fall in the ABF share price to 363p said more about grim conditions in the market generally than reaction to the figures themselves. On the whole, the results looked somewhat better than the £230m which the City expected — and although that was partly due to the property profit treatment, the overseas

## Associated British Foods

Share price (pence)



businesses and the retailing operations also chipped in helpfully. In the current year, there must be some scope for the core UK manufacturing operations to improve on the past 12 months. And while it is the use to which Mr Weston might eventually put his £1bn cash resources which holds the key to any re-rating, analysts point out that a number of situations, Gateway, Ranks Hovis McDougall, even Beristoff — could yield some potential spin-off benefits for ABF's image in the absence of this. Current-year estimates range around the £260m figure, putting the multiple at some 8.5-9 times. While the Weston holding means bid premium will never feature, the downside must also be pretty limited when cash and investments equate to almost 250p a share.

## BOC move to overcome anti-trust objection

By Clay Harris

BOC GROUP yesterday appeared to have found a way around regulatory objections to its US expansion plans. The gas company agreed to pay \$143.5m (£90.6m) for the slimmed-down carbon dioxide and industrial gases operations of Amerigas, itself a subsidiary of UGI, a gas and electric utility.

An original deal worth \$171.5m was blocked by the Justice Department's anti-trust division last month because of the effect on competition in liquid carbon dioxide along the Texas coast, and in industrial gases in northern California and the Chicago-Milwaukee areas.

BOC and UGI have now resolved the transaction, eliminating the three plants which led to the objection. The new price reflects the reduction in assets which will change hands and is based on the same multiple as the previous deal.

The new agreement still faces Justice Department scrutiny, but BOC expects clearance by the time the deal is due to be closed next month. BOC has agreed to pay \$168m on completion and most of the balance within six months after that.

If the revised deal goes through, BOC will gain eight carbon dioxide plants in 10 states, an atmospheric gas plant in Texas, and 48 retail stores in seven states.

## Quotient warning of lower interim profits

by Peter Pearce

SHAREHOLDERS IN Quotient were warned at the annual meeting by Mr Tim Simon, chairman, that the financial software company had "turned in a loss over the first quarter and on current trading expectations did not anticipate moving into profit before the second half of the year."

However, he later affirmed that the group would continue its aggressive dividend policy and would not, therefore, be cutting the interim dividend. Quotient suffered a 46 per cent fall in pre-tax profits in 1988 — from £4.08m to £2.21m — largely due to the 1987 crash.

Mr Simon told holders that the drop in trading levels had once again depressed demand for financial systems and that in the UK stockbroking sector, demand had fallen away as timescales for Taurus, the electronic settlement system

designed to end the use of share certificates, had slipped.

Any first-half losses could largely be attributed to an increase in costs, Mr Simon said, as the group's revenue had held up in comparison to the first quarter of 1988. Cost-cutting measures were being introduced, he said, including sub-letting part of the group's Finsgate building.

Mr Simon maintained that although the company viewed immediate prospects with caution, a number of recent developments — both project-related and product developments — in the insurance and share registration areas — were encouraging and augured well for the medium and long-term future. The effects of these would, however, largely fall during the second half of 1988.

## Realnew plan to save MBS with £28m buyout

By John Riddling

MBS, computer dealer, yesterday announced a thorough restructuring of its operations following a plunge into losses of £14.1m for 1988 compared with profits of £5.2m in the previous year.

The company has entered into a conditional agreement to sell its core product sales business to Realnew, a management buy-out team headed by Mr Derek Lewis, managing director of MBS product sales, for a consideration of around £28m.

Touche Ross, the company's auditors, stated that if the sale is not completed by July 17 then there will be inadequate finance to support the group's operations. This would require further provisions against current and fixed assets and some long term debt would be repayable on demand.

MBS has also received vari-

ous approaches for Microtext, the group's multi-user system distributor, and intends to complete a sale.

With the disposal of these two businesses, the MBS group will comprise MBS Services and MBS Communications Services and be engaged exclusively in providing computer and communications services.

In 1988 these two businesses made a contribution of £1.6m on turnover of £14.2m.

The company said that the second half of 1988 was "an exceedingly difficult period" with both margins and sales being much lower than anticipated. Turnover fell from £136m to £116m and an increase in IBM products shipped at maximum discounts cut prices.

MBS also suffered due to the high proportion of its business which is IBM related.

## Restructured Plessey rises to £195.5m on turnover up 27%

By Hugo Dixon

PLESSEY, the embattled UK electronics company, yesterday reported a 14 per cent increase in pre-tax profits to £195.5m for the year to the end of March.

Mr Stephen Walls, managing director, said the performance showed there was "a very strong financial alternative" to Plessey's being taken over by the General Electric Company of the UK and Siemens of West Germany.

The results were achieved during a year in which Plessey restructured itself substantially by spending its cash mountain and going into debt in order to build up its software and North American defence operations. Although the effect of the acquisitions was neutral on profits, they substantially boosted the company's turnover and order book.

There was also an extraordinary charge of £31.7m. Of this

£18m related to the expected costs of defending the company against GE/Siemens, £15m to closing its plant for making gallium arsenide microchips, and £3m to a revaluation of the assets of GPT, its telecommunications joint venture with GEC.

Turnover rose 27 per cent to £1.65bn from £1.3bn, with acquisitions accounting for about £220m of this increase. Similarly, acquisitions were responsible for £275m-300m of the £400m increase in the order book to £2.14bn.

A final dividend of 5.037p (4.275p) has been proposed, for a total of 7.665p (6.665p) for the year.

Earnings increased 10 per cent to 17.57p per share though, after extraordinary items, they fell 25 per cent to 13.31p.

"The growth that matters is growth in earnings per share," said Mr Piers Whitehead, an analyst at Robert Fleming. "10 percent is OK, but nothing to write home about."

GPT had a difficult year, partly because of the "goings on" between its two shareholders, Mr Walls said. Plessey's half share of the venture's operating profit increased 9 per cent to £50.3m. Losses at Stromberg Carlson, GPT's US subsidiary, were partly responsible.

Shareholders' funds were £377m at the end of the year, down from £380m a year earlier. The company has moved from a net cash position of £220m to a net debt position of £206m.

Mr Walls would not reveal GPT's net asset position. However, it is understood that Plessey's half share of these assets is about £270m, down from £308m a year ago.

See Lex

## Consortium bid for Ketson

By Andrew Hill

CITY AND Westminster Financial, Broad Street Group and Summer International yesterday launched their long-awaited consortium bid for Ketson, the troubled marketing public relations group.

The beleaguered company meets to discuss the bid today. It will probably reject it, on the grounds that the restructuring it announced 10 days ago is a better option for its battered shareholders.

Their shares have plummeted from a 1987 pre-crash high of 151p to yesterday's closing price of 16½p, up 1p, capitalising the group at £3.1m.

The consortium is offering Ketson shareholders an equal number of shares in a new company, Moneytab, with a convertible loan stock alternative.

If the hostile bid succeeds a

number of actions will be triggered.

The consortium will seek a listing for Moneytab shares.

A placing of shares offer will raise £1m, asking Ketson's ordinary shareholders to subscribe for further Moneytab ordinary shares, on the basis of one share for every three Ketson shares committed to the offer, at 15p each.

Moorgate, Ketson's financial marketing and PR subsidiary, will be sold to Broad Street for up to £5m, depending on profits in 1990 and 1991.

IETC, Ketson's training consultancy, will be sold to Summer International, a training and education company, for up to £4.1m, again dependent on profits.

The three consortium members are investing £500,000 in Moneytab's initial issued share capital and already own 2 per cent of Ketson.

The Moneytab board will be chaired by Mr Anthony Phillips, a City and Westminster director, and include Mr Preston, Mr Andrew Greytoke, City and Westminster's chairman, Summer chairman Mr David Sinclair, and Broad Street's finance director Mr Kenneth Wheeler.

The consortium offer document is highly critical of Mr Walter Dickson, Ketson's chairman, who joined the company when it was a shell in 1986. However, Mr Rupert Stanbury, who became finance director last year, would probably be invited to join Moneytab.

Ketson's restructuring plan involves raising £5m through a three-for-one share placing at 10p a share.

Ketson is aiming to right a deficit in shareholders' funds caused by trading losses throughout the group.

## Pericom returns to black

By Vanessa Houlder

PERICOM, USM-quoted computer services group, yesterday announced a return to the black with pre-tax profits of £125,800 for the six months to March 31, compared with a loss of £828,000.

Turnover increased by 6 per cent to £10.14m (£9.59m). The share price rose by 1p to 44p.

The UK business has been restructured to diminish the importance of manufacturing, now reduced to about 36 per cent of turnover. Pericom has traditionally manufactured graphics terminals which have largely been replaced by technical workstations and personal computers.

The Singapore manufacturing facility moved into profit. Earnings per share came out at 0.6p compared with a loss of 10p. It has not resumed paying dividends.

## BOARD MEETINGS

TODAY		FUTURE DATES	
Interline, Alexander Holdings, Bell Brothers, City Site Estates, Fairline, Boats, London, North, Northern American Te, Northern Industrial Improv, Radio City, Ranks Hovis McDougall,	Subsidiaries	LP4 Industries	June 27
		Zambia Copper	May 26
		Anglo Leasing	June 1
		Chenmed Tunnel	June 1
		IWP International	June 22
		Stacron	June 6
		Regellan Properties	June 14

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corros - coming dividend	Total for last year	Total for this year
Assoc Brit Foods	6.5	Sept 1	5.8	9.3	8.3
AS&S	22.2	Sept 1	18	4	23.5
British Borneo	16	Sept 12	4.1	5.7	5.5
Chem'shin Phippo	4.1	Sept 6	1	3.15	3.15
Countryside Prop	1.3	June 18	1.85	3.6	2.5
de Morgan Group	2.35f	Aug 18	3.45	5.4	4.7
English&Tel	3.3	July 7	2.75	7.25	7.25
Grosvont Whitley	3.3	July 7	2.25	2.75	2.75
Lodge Care	2.25	July 21	0.6	1.25	1.1
LOFS	0.8	July 7	2.75	6.65	6.65
Personal Assets	1.25f	July 21	2.31	2.25	2.25
Seafire Int Inv	2.31	July 13	0.43	0.43	0.3
Stratton Inv Tst	0.43	July 13	0.815	1.725	1.44
Value Income Tst	1	Oct 3	0.5	2.2	2.2
Wheway	1f	Oct 3	0.5	2.2	2.2

## Generale Bank

## 1988 RESULTS

Consolidated figures 31.12.88	ECU (million)	BEF (million)	% CHANGE '87-'88
Balance sheet total	53,547	2,331,155	+ 7.2
Own funds and equivalent	2,116	92,141	+ 30.7
Customers' deposits	30,346	1,321,113	+ 16.4
Due to banks	19,219	836,702	+ 3.9
Facilities to private sector	25,923	1,128,563	+ 17.8
Facilities to Belgian public sector	13,281	578,168	+ 6.6
Placings with banks	13,938	606,806	- 1.3
Gross cash flow	494	21,515	+ 19.8
Depreciation, write-downs, provisions and tax	313	13,614	+ 22.4
Net profit due to Group	171	7,454	+ 16.3
Net earnings per share (to nearest unit)	15	655	+ 9.3

1 ECU = BEF 43.5350

## KEY FACTS AND FIGURES FOR 1988

- Cooperation agreement signed with Amro Bank with aim of forming an integrated banking group
- 30.7% rise in own funds and equivalent
- 17.8% rise in facilities to private sector
- 16.4% rise in customers' deposits
- 16.3% rise in net profit
- 9.3% rise in net earnings per share
- Expansion of international network: new centres of operations in Aachen and Djakarta

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London EC2N 4AD  
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## Acquisitions help boost Wheway

By Richard Tomkins, Midlands Correspondent

THE WHEWAY, the Birmingham-based industrial group which claims UK market leadership in computer room design and installation, yesterday reported a 54 per cent increase in pre-tax profits to £2.56m, against £1.62m, for the six months to April 1.

Turnover rose from £35.8m to £45.2m and operating profits from £2.5m to £3.65m, but the interest charge, boosted by acquisition costs, was up from £228,000 to £288,000.

Earnings per share were ahead by 20 per cent at 4.1p (3.41p) and the interim dividend is doubled to 1p.

Overall, £764,000 of the increased operating profit came from acquisitions and £645,000 from organic growth. The best performance came from the consultant engineering and maintenance division, which increased operating profits by 90 per cent, partly because of six-month contributions from Cudd Bentley and Interflita, bought in January 1988.

Industrial products saw good performances from AEB in Belgium and Felco, increasing its contribution by 55 per cent in spite of the inclusion of Wright Rain's seasonal business — acquired in June 1988 — for the poorer first half. Building services products benefited from strong demand for scaffolding supplies and improved by 40 per cent.

In February Wheway added Scandifiter, a Swedish air filter company, to its consultant engineering and maintenance division. Mr Ted Jaynes, chairman, said other European acquisitions had been targeted and the company was exploring opportunities in the US.

## Capita £1m buy

Capita Group, the public sector management consultancy which was floated on the USM last month, has agreed to acquire Penn Communications, the public relations and marketing consultancy, for a maximum consideration of £1m.

## "A NEW BEGINNING"

PRELIMINARY RESULTS FOR THE YEAR ENDED 31st MARCH 1989

	1988	1988
Gross freight earnings	£7000	£7000
Voyage, operating costs and overheads	14,069	11,275
	9,520	8,512
Depreciation	4,539	2,763
Trading profit (loss)	1,745	2,954
Net interest payable	2,794	(191)
Profit (loss)	1,788	1,718
Proposed dividend gross	1,006	(1,909)
Profit (loss) for year	168	(1,909)
Earnings (loss) per share in cents	0.54	(0.7)

\* The Company has returned a profit for the full financial year of £1,006,000.

\* A sterling dividend is proposed of 0.6p per new 25p Ordinary share.

\* Improved trading conditions this year have resulted in a 36% increase in annual average time charter earnings on each vessel to \$12,200 per day. Since March, trading has continued at higher levels and prospects for the coming year are good.

\* The market value of the Company's vessels has increased to levels substantially in excess of book values.

\* A financial restructuring has been concluded involving debt settlement, issue of new shares and reduction of capital resulting in an improvement in shareholders' interest from a deficit of \$7.7m last year to a surplus of \$10.3m at 31/3/89.

\* The opportunity now exists to develop and expand in the bulk shipping industry and the Directors are committed to realizing this potential.



The Report and Accounts will be posted to shareholders on 26th May, 1989 and copies of the Report and Accounts will be available from the Company, Winchester House, 15 Fetter Lane, London EC4A 3EL

London &amp; Overseas Freighters PLC

The Annual General Meeting will be held at 11.30am on 20th June, 1989 at the Charter One suite in The Waldorf Hotel, Aldwych, London WC2B 4DD



Last year, business was brisker than ever before at the Halifax Building Society. A record £10.6 billion was lent to home buyers, an increase of 44% on 1987.

In came an extra £5 billion from savers, a rise of 59% on the previous year. Our gross profits were up

of our branches aimed at providing customers with a more friendly, open-plan environment. While, under the banner of Halifax Property Services, we extended our network of estate agents to a total of 650 offices.

We made our Personal Loans service available to both investors and borrowers and more recently to non-members.

In July we launched the Halifax Visa card which has proved extremely popular with members. And by October we had installed our thousandth Cardcash machine. Later this year, we shall be able to offer an additional 2500 cash points by connecting to the LINK system.

None of these achievements would be possible without a continuing investment in the latest technology. Last December we moved into our major new computer and money transmission centre on schedule. Designed to meet our needs beyond the year 2000, it paves the way for services like our

cheque product to be launched this Autumn.

In the future, provision of a wide range of services, coupled with the utmost security of investment, will remain, as always, the aim of the No.1 Building Society.

**"1988 WAS A RECORD-BREAKING YEAR. WE DID IT BY CONCENTRATING ON CUSTOMER NEEDS"**

32% to £461 million and our assets now exceed £40 billion. Behind these statistics lies a success story achieved by responding to, and anticipating, real customer needs.

We have always sought to bring more people into home ownership.

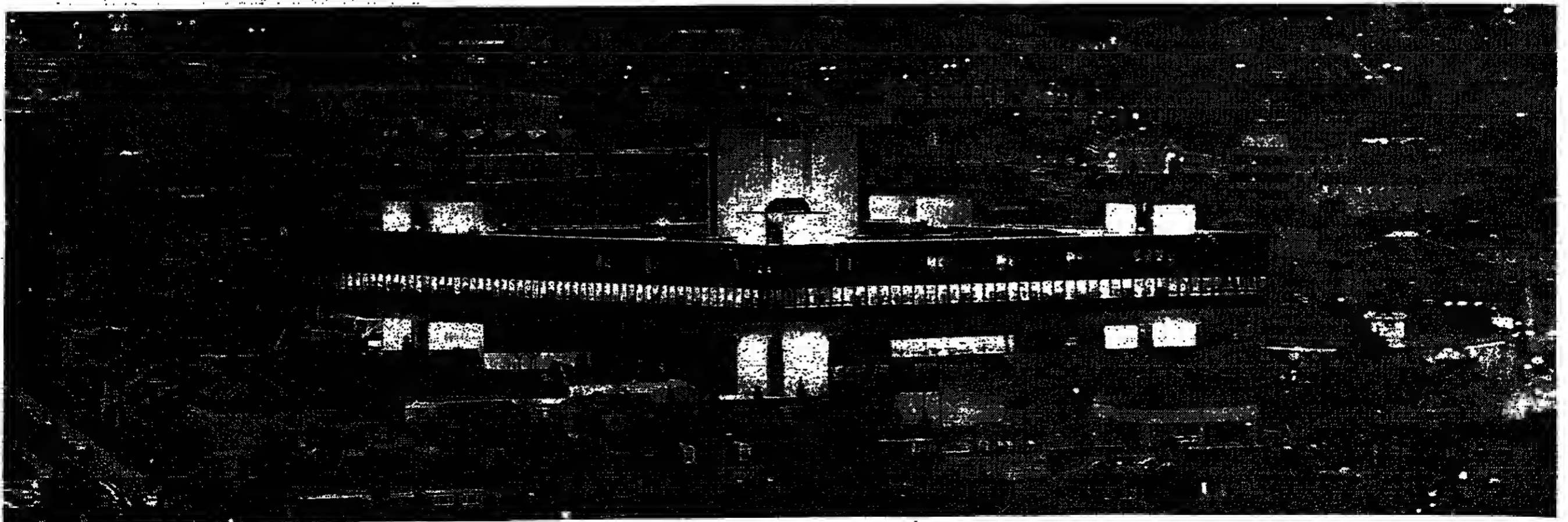
So, as well as introducing our Apex mortgage scheme for larger borrowers, we supported over 100,000 first-time buyers to the tune of £3.2 billion.

We also recognised the importance of a flourishing rental market by putting some £200 million behind the nation's housing associations.

On the high street, we began a major face-lift



*Richard Homby*  
CHAIRMAN



## Notice to Bondholders

## London International Group plc

£50,000,000 4½ PER CENT  
CONVERTIBLE BONDS DUE 2002 (the "Bonds")

London International Group plc ("Loodoo International") has reached agreement with The Law Debenture Trust Corporation p.l.c., trustee to the issue, to amend the Trust Deed in order to bring about certain changes in the rights of bondholders. These changes, which are embodied in a supplemental Trust Deed and a revised Extel Card, are designed to have effect as follows:

- (1) Bondholders have been granted an additional put option, exercisable in March 1997 at an increased premium redemption value to maintain the original yield to put of 8.53 per cent. per annum.
- (2) Loodoo International has the ability, in the light of market conditions on or before 25th March, 1992 to increase (but not decrease) the yield to bondholders' optional redemption in March 1997. Loodoo International may also, prior to 25th March, 1997, announce that it will pay amounts of supplementary interest during the period from 26th March, 1997, up to and including 25th March, 2002.
- (3) Loodoo International has the option in respect of each year from 1992 to 1997 inclusive to announce that it will pre-pay in cash on succeeding coupon dates equal amounts of supplementary interest representing the redemption premium which would otherwise be accruing, thus maintaining the overall return of 8.53 per cent. up to March 1997.
- (4) Loodoo International has given up its original unconditional rights to redeem at 101 per cent. from 25th March, 1992, to 25th March, 1993 and to redeem at par from 26th March, 1993, to 25th March, 1997. It has, in addition, restricted its option to redeem the Bonds on 25th March, 1992 so that it may only redeem them on that date at the 1992 put price (rather than at 101 per cent. as formerly). Loodoo International will have the right to redeem the Bonds at the 1997 put price on 25th March, 1997. If Loodoo International decides to offer to pay supplementary interest in the period from 26th March, 1997, to 25th March, 2002, Loodoo International's rights to redeem the Bonds at par during this period will be restricted to protect the value of such supplementary interest.
- (5) Loodoo International has been given new rights of redemption, at 101 per cent. from 26th March, 1992, to 25th March, 1993, inclusive, and at par thereafter until 25th March, 1997, conditional on its share price reaching a level at which the value of conversion exceeds the accruing value of the additional 1997 investor put option by 15 per cent. together with any accrued but unpaid interest.
- (6) A re-underwriting option has been included, enabling Loodoo International to require bondholders exercising their 1992 or 1997 put options to sell their bonds at the 1992 (or 1997) put price to a bank, which would underwrite the placing of those bonds to the market, such underwriting to be in effect guaranteed by Loodoo International. So far as bondholders are concerned, the existence of this re-underwriting option will make no difference to the action required to obtain the put price applicable in 1992 or 1997, as the case may be. Bondholders who wish to put will be able to follow the standard procedure of tendering their Bonds together with an option notice, whether Loodoo International has arranged a re-underwriting or not.
- (7) Loodoo International has been granted the additional option to treat bondholders exercising their 1997 put options as having exercised their conversion rights, and may arrange for the ordinary shares so issued in Loodoo International to be placed on bondholders' behalf. Under this option, bondholders would receive the same cash sum as that to which they would have been entitled under the put option, whether or not such sum exceeds the proceeds of the placing of ordinary shares on their behalf; and
- (8) The two-week periods for exercise of the put options in 1992 and 1997 are to commence two weeks and five business days before the respective put dates. Full details of any re-underwriting arrangements are to be notified to bondholders prior to the period in which they are able to give notice of optional redemption.

Copies of the revised Extel Card will be available in the Extel System and from the Principal Paying Agents:

The Chase Manhattan Bank N.A.,  
Woolgate House,  
Coleman Street,  
London EC2P 2HD

London International Group plc

23rd May, 1989

## THE WORLD'S LARGEST EXPORTER OF LIQUID PACKAGING BOARD HAS JUST SET ANOTHER NEW RECORD

Enso is the world's largest exporter of liquid packaging board, and a major supplier of pulp and paperboard.

In 1988 net sales of Enso Pulp and Board Products grew by 12% to 357 million Pounds\*. Sales output reached a new annual record of 894,000 tonnes.

\* 1 GBP = 75 FIM

**Solid, steady growth**

In 1988 the Enso Group supplied almost 1300 million Pounds\* worth of pulp, paper, board and wood products, an increase of 21% over 1987.

The reason for this success: every Enso product is developed to meet the needs of customers and consumers in a changing market.

**EG ENSO-GUTZIT OY**

Kanavaraanta 1, 00160 Helsinki, Finland  
tel (358) 016 291, fax (358) 0162 9471

Information to the holders of 5½% Subordinated Guaranteed Debentures of MDS Capital Corporation due May 1, 1989

### NOTICE OF AMENDMENT AND EXTENSION OF OFFER TO PURCHASE FOR CASH

#### QANTEL CORPORATION

Any and all 5½% Subordinated Guaranteed Debentures due May 1, 1989 (\$12,112,000 Principal Amount Outstanding) For \$250 per \$1,000 Principal Amount Inclusive of Accrued and Unpaid Interest to the Expiration Date of

MDS CAPITAL CORPORATION  
(a wholly owned Subsidiary of Qantel Corporation)

The Offer has been extended to, and will expire at, unless extended, 12:00 p.m. midnight, New York City Time on June 9, 1989 (06:00 a.m. Luxembourg time on June 10, 1989)

The offer to purchase the Debentures is not conditioned upon: (a) a successful restructuring of Qantel Corporation's (the "Company") bank indebtedness, or (b) the tender of a minimum percentage or minimum aggregate principal amount of Debentures prior to the expiration of such offer.

Accordingly, the Company intends to accept any and all Debentures which shall have been validly tendered to the Company and not withdrawn prior to the expiration of the Offer.

The Company does not intend to pay to the holders of untendered Debentures 100% of the principal amount and accrued interest due and owing thereon.

Meetings in Europe with 1989 Debenture Holders  
The Company has scheduled meetings in London and Geneva to discuss and answer questions concerning its Offer for the 1989 Debentures and its present financial condition. All Security holders and/or their representatives are invited to meet with Matthew E. Tunno, the Company's Chairman, President and Chief Executive Officer at the Hilton Hotel in London (tel. no. 493.5000) between the hours of 10:00 a.m. and 3:00 p.m. on May 31, 1989, and during the same time period at the Hotel de Rhodas in Geneva (tel. no. 31.98.31) on June 1, 1989.

Depository and Information  
All correspondence in connection with the Offer, and all requests for information or copies of the Offering Circular, or the Letter of Transmittal, should be directed to the Depository or the Company, as follows:

By mail: c/o Citicorp Luxembourg  
16, avenue Marie-Thérèse LUXEMBOURG  
Contact: Mr. Josef Altman on 4422401

By facsimile:  
47795770

By hand:  
c/o Citicorp Luxembourg  
16, avenue Marie-Thérèse LUXEMBOURG

For further information, contact Alan H. Friedman, Vice President and Chief Financial Officer, Qantel Corporation, 4142 Point Eden Way, Hayward, California 94545; Telephone no. (415) 887-7777.

This notice is issued by Qantel Corporation and has been approved by Drexel Burnham Lambert Securities, Limited, a member of The Securities Association.

## UK COMPANY NEWS

## A deal sailing rather too close to the wind

Philip Coggan on the details and aftermath of Tony Berry's loan to Peter de Savary

THE MYSTERY of Blue Arrow's £25m loan to Mr Peter de Savary's Chainrock is not so much a Whodunnit as a Why did he do it? Why did former chairman Mr Tony Berry agree to lend so much money to Mr de Savary in such a speculative project on such seemingly disadvantageous terms?

Mr de Savary is sure of his answer. He argues vehemently that the planned development of Canvey Island is an excellent property deal which will prove a great investment for Blue Arrow shareholders and he is incensed at last week's Blue Arrow circular, in which the new management wrote off the amount of the loan.

Mr Mitchell Fromstein, the former Manpower president who has replaced Mr Berry as chairman and chief executive, believes, as last week's circular stated, that the loan was "speculative and inappropriate" for the world's largest employment agency.

So far, Mr Berry has kept his own counsel, save for a statement last Friday in which he said that "I believed that, as chairman and chief executive, I had the authority to complete the transaction. I had the comfort of a valuation from a leading firm of surveyors."

One important issue in the dispute is whether Mr Berry did indeed have the authority to complete the deal.

Both sides agree that at a board meeting on November 30 1988 Mr Berry outlined the transaction and was advised to "proceed with caution". Mr Berry regarded that as authorisation to complete the deal; the other directors argue that they were entitled to be consulted again before the transaction was completed.

The Berry camp argues that the way that the Chainrock loan was handled was similar to the way that Mr Berry conducted the Brook Street Bureau purchase and several other transactions.

Indeed, in the circular that detailed the Chainrock loan, the board revealed that it did not authorise a marketing agreement, or a loan guarantee, for executive boxes at Tottenham Hotspur, the football club where Mr Berry is a director.

Blue Arrow was very much Mr Berry's company. In five short years, he built the business into the world's largest employment agency through a series of acquisitions, culminating in the substantial £1.2bn purchase of Manpower in 1987.

But with the inevitability of Greek tragedy, the moment of Mr Berry's greatest triumph — the Manpower purchase — was



Tony Berry (left), former chairman, Peter de Savary and Mitchell Fromstein, chairman

also the moment that led to his downfall.

First the acquisition brought on board Mr Fromstein, Manpower's president and the man who was eventually to supplant Mr Berry.

Second, the £937m rights issue that backed the deal led to a Department of Trade and Industry investigation into the handling of the deal by Blue Arrow's then banker, County NatWest. And the October 1987 crash left those who acquired shares via the rights issue (and subsequent placing) distinctly out of pocket and with reason to feel aggrieved.

Third, the purchase meant that Blue Arrow could no longer be regarded as Mr Berry's personal fiefdom. Non-executive directors, including Mr Norman Rebbit, the former Tory cabinet minister, and Mr Dennis Stevenson, the management consultant, were brought in and started to act as a check on the executive team.

The commitment to back Mr de Savary's bid for the America's Cup yachting competition was one obvious area for non-executive questioning. The original agreement, which involved Blue Arrow investing around £9m in the project, was hard to justify in commercial terms. Only a small proportion of Blue Arrow's business, especially after the acquisition of Manpower, was conducted under its own name.

In fact, Mr de Savary's yacht did not compete in the 1988 Cup, since it was disqualified because of its revolutionary design. However, Blue Arrow says that Mr Berry varied the terms of the agreement with Mr de Savary in November 1988, in order to allow a challenge to be made in 1992.

The Chainrock loan was designed to defray the costs of this further investment, Mr Berry was obviously convinced

of Mr de Savary's development skills and of the potentially huge profits that could result.

Large profits will be needed. The company is entitled to a halfshare in profits on the deal only after expenditure on the project has been incurred; the £30m owed to a bank and another de Savary company has been repaid; the £25m loan from Blue Arrow has been repaid; other borrowings have been repaid; the first £25m profit has been claimed by Chainrock; and tax has been paid.

So even if one ignores tax and running expenses, Blue Arrow would only make a profit if the site sold for more than £80m. Two surveys — from Jones Lang Wootton and Debenham Tewson & Chinnocks — have put present values on the site, assuming planning permission, of between

£75m and £65m.

On that basis, the Chainrock deal is far from a surefire moneyspinner. And Drivars Jonas, a third team of surveyors, put a value of £13.50m on the site, on the assumption that there was no speculative demand for the property.

Add in the fact that Blue Arrow's loan is only a third charge on the property — behind the bank and Mr de Savary's company — and it is unsurprising that the Blue Arrow board decided to make a provision against the investment in last week's circular.

It is also hard to see how the loan could in practice defray the costs of the America's Cup challenge. It is not repayable until 1991 and in the interim it pays no interest. Fleming regulations might mean that any profit is even further delayed.

So it is only on a fairly opti-

1987  
May — Blue Arrow agrees to sponsor Mr de Savary's America's Cup challenge.  
August — Blue Arrow bids for Manpower.  
September — Blue Arrow's bid succeeds.

1988  
November 28 — Berry agrees to vary terms of Blue Arrow Challenge sponsorship.  
November 30 — Berry proposes Chainrock property deal to Blue Arrow board. Agreed to "proceed with caution".  
December 2 — Berry writes to de Savary, agreeing deal in principle.

December 6 — Fromstein is ousted from board.  
December 7 — Chainrock deal is signed.  
December 15 — Sharkey writes to other Blue Arrow directors telling them deal is signed.

December 19 — DTI investigation launched into County NatWest's handling of Blue Arrow rights issue.  
December 21 — Chainrock loan money drawn down.

1989  
January 12 — Berry ousted from executive responsibilities at board meeting. Fromstein returns as chief executive.  
April 3 — £25m loan disclosed at Annual General Meeting. Identity of borrower not revealed.

April 5 — Berry resigns as non-executive chairman.  
April 7 — de Savary revealed as recipient of loan.  
May 19 — Blue Arrow issues circular on loan. Berry resigns totally from board, receives £1.15m in compensation.

## COMPANY NEWS IN BRIEF

ACORN INVESTMENT Trust: at April 4 net asset value was 96.52p (87.53p). In first half year net loss £35,111 (£27,050), or 1.1p (0.84p) per share.

CHAMBERLAIN PHIPPS: offer by Evode becomes unconditional and remains open. Second interim dividend of 4.1p to make 5.7p for year (5.5p).

CHURCH (CHARLES) Developments: court sanction received for scheme of arrangement whereby Charles Church Holdings will acquire the publicly-owned shares.

COLONNADE DEVELOPMENT: revenue before tax £174,200 six months ended April 30 1989 (£3,454) and earnings 2.65p (0.42p). Net asset value 201p (182p at October 31). Uoel suitable opportunities arise, surplus funds are invested in short-dated government securities.

ENGLISH AND International Trust: gross income £3.67m (year ended April 5 1989 (£2.63m) and net revenue £1.28m (£1m). Final dividend 3.9p making 5.4p (4.7p).

HAWKES SIDDELEY of Canada: quarterly sales US\$102.59m (\$98m) and pre-tax profit \$9.03m (\$7.37m). Earnings 53 cents (37 cents) and 68 cents including \$1.26m extraordinary credits. Dividend 27 cents.

SALTIRE INSURANCE Investments: asset value per share at March 31 was 70.6p (67.2p). Directors believe prospects for substantial capital growth through development and realisation of unlisted portfolio are attractive. Pre-tax profit \$479,000 for year (£277,000) and earnings 2.33p (2.25p). Dividend 2.31p (2.25p).

SPRING GROVE: bid by P&O Group not being referred to Monopolies Commission.

STANCO EXHIBITION has acquired 26 per cent interest in Display Furniture Hire, a recently formed company which is forecasting profits of £50,000 on turnover of £318,000 in the nine months to April 30 1989. Cost of the acquisition is £112,500.

TRANSCONTINENTAL Services: Banner can speak for 92.9 per cent of the capital and 97.2 per cent of the warrants. VALUE AND Income Trust: at March 31 fully diluted net asset value was 74.2p (60.5p). Pre-tax income for year £1.38m (£1.22m) and revenue growing strongly. Final dividend 1p to make 1.725p (1.44p). Increases of about 20 per cent should be sustainable for several years ahead, said directors.

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## HEREFORD &amp; WORCESTER

The Financial Times proposes to publish a Survey on the above on

14th July, 1989

For a full editorial synopsis and advertisement details, please contact:

Anthony G. Hayes

on 021-454 0922

or write to him at:

George House, George Road  
Edgbaston, Birmingham B15 1PG.

FINANCIAL TIMES  
EUROPE'S BUSINESS NEWSPAPER



Registered Office in Turin - Head Office in Rome  
Capital stock Lit. 3,850,000,000 fully paid

### Notice Convening the Ordinary General Meeting

The Shareholders of STET - Società Finanziaria Telefonica p.a. are hereby notified that the Ordinary General Meeting will be held in the Conference Room in Via Bertola 34, Turin, at 9.30 a.m. on the 8th of June, 1989 and, if necessary, a second meeting will be held on the 22nd of June, 1989, at the same time and place, to discuss and resolve the following

#### Agenda:

1. Board of Directors' Report and Statutory Auditors' Report; Financial Statements for the year ended 31st December 1988; relevant resolutions.
2. Auditors' remuneration for the financial year 1988.
3. Resolutions according to art. 2364, point 2 of the Italian civil code.

The Shareholders shall have the right to attend the Meeting, provided that, at least five days before the established date for the Meeting, they have deposited their ordinary shares with the Company's Securities Department in Turin, Via Bertola 28 or with Head Office in Rome, Corso d'Italia 41, or with any other duly-authorized banks, as well as through Monte Titoli S.p.a., for the shares managed by it.

Abroad, the ordinary share certificates may be deposited with foreign branches of Italian authorized banks.

for the Board of Directors  
Michele Principe  
Chairman

The Company's Financial Statements, the relevant enclosures, the reports of the Board of Directors, Statutory Auditors and Independent Auditor's Report will be available for the Shareholders at the Offices in Turin and Rome from the morning of the 2nd of June.

## CORPORATE FINANCE

The Financial Times proposes to publish this survey on:

12th July 1989

For a full editorial synopsis and advertisement details, please contact:

DAVID REED

on 01-873 3461

or write to him at:

Number One  
Southwark Bridge  
London  
SE1 9HL

FINANCIAL TIMES  
EUROPE'S BUSINESS NEWSPAPER

UK COMPANY NEWS

# McKechnie sells Crayonne homeware arm for £3.25m

By Clay Harris

McKECHNIE, the plastics, metals and consumer products group, is to sell Crayonne, its kitchen and bathroom accessories subsidiary, and the related Gecco garden products business to Betterware Consumer Products, the USM-quoted homeware company, for £3.25m, about £400,000 less than book value.

The two businesses, which McKechnie combined last August into a homeware division based at New Milton, Hampshire, showed operating losses of about £500,000 in the six months to January 31, because of the disruption involved in integration. They have combined annual sales of about £7m.

Mr Michael Ost, chief executive, said McKechnie was no longer certain it could defend Crayonne's niche at the upper end of the fittings market, as tastes changed in favour of entrants using materials such as wood, metal and china.

Similarly, it had decided against the investment neces-

sary to expand Gecco both organically and by acquisition. Gecco's plastic products are sold through garden centres and DIY outlets.

Gecco entered the group in 1977. Crayonne was acquired in 1980 as part of a £4.7m deal which also brought Decon, a bath and shower accessories manufacturer, and a materials handling business making plastic racks for bakers. The latter was integrated with McKechnie's Paxton subsidiary last year, and Crayonne's plant at Sumbury was sold for £3.4m.

Betterware, which sold its Woodrowns division to Lomax for £2.5m last August, plans to shift some externally sourced plastics production to New Milton, its first manufacturing facility apart from a broom factory in Scotland.

The transaction will also increase to about 40 per cent the proportion of Betterware's sales made through retailers rather than its door-to-door representatives.

Mr Andrew Cohen, manag-

ing director, said capacity could double at New Milton through the introduction of three-shift working.

The Crayonne and Gecco brands will be reserved for retail sales, he said, although similar unbranded products might be introduced into Betterware's catalogues.

Separately yesterday, McKechnie expanded its US plastic packaging business with the \$7.1m (\$4.5m) acquisition of an 80 per cent stake in Charter Supply Corporation, a manufacturer of containers for products such as cooking oil and shampoo.

CSC, based in upstate New York, reported operating profits of \$1.8m on sales of \$18m in the year to March 31. It will be combined with Plastic Container Corporation, an Illinois-based company in which McKechnie also owns 80 per cent, and run by senior executives of both.

From this fact, hold McKechnie plans to expand organically into the southeast US, Mr Ost said.

# Success flows from total capability

Andrew Hill on Biwater's prospects after its water company acquisitions

CONTRARY to popular belief, French water suppliers are not the only hungry fish hunting the shallows of the British water industry.

Biwater, a private UK water contractor, runs the French extremely close for the distinction of having been first to spot the potential of statutory water companies - the 29 private-sector water suppliers which work alongside the public authorities.

Indeed, Dorling-based Biwater was the first investor, French or British, to mount a bid for a statutory water company, 14 months ago.

That offer valued East Worcestershire Waterworks at just under £2m. But since then a surge of interest in the sector - notably 12 agreed bids from three French water suppliers - has changed the ground-rules for investment in the industry.

Yesterday, Biwater launched its expected offer for Bournemouth and District Water Company, which in turnover and

population terms is roughly the same size as East Worcestershire. The offer values Bournemouth at £17.6m.

Biwater itself is no doddler. Last year turnover rose from £136m to £184m, on the back of contracts from UK water authorities and companies.

Major funding agencies for overseas projects were increasingly asking for some operation and management experience, in addition to the basic training and commissioning already being handled by Biwater.

In the past the group had asked water authorities to advise on the operation and management side of major overseas contracts, not the addition of East Worcestershire, Bournemouth, and its neighbour West Hampshire Water Company - where

Biwater won control earlier this year - should provide some of that experience from within the company.

If it pays off, Biwater could find itself running water supply businesses in Colombia, Chile and Malaysia by the end of the year.

Biwater distinguishes between the drive behind its investment in the water companies and the involvement of the three large French water suppliers in the UK private water sector.

Compagnie Générale des Eaux, Lyonnaise des Eaux, and SAUR, a subsidiary of Bouygues, already have operation and management skills in-house. Biwater points out, by way of contrast, that its investment in East Worcestershire has enabled senior water

company staff to collaborate on major overseas projects in their own right.

At the same time, the statutory companies' contribution to Biwater's turnover could account for about 30 per cent of its business in the longer term, offsetting the riskier earnings from large contracts. That and the growth of Biwater's manufacturing business - supplying components to the water industry in the UK and overseas - should improve the private company's image in preparation for a possible stock market flotation.

Mr Leslie Jones, Biwater's co-founder and deputy chairman, says the group always tries to be ready for the possibility. But in an era of glamorous stocks, the odds are weighted against contractors.

"As time goes on, perhaps some of the virtues of solid heaving - from manufacturing, for instance - will come to be recognised. But we're never going to be glamorous; it's not that sort of business," he says.



## British Borneo profits static

British Borneo Petroleum Syndicate, investment holding and dealing company, achieved static pre-tax profits for the year ended March 31, with the figure virtually unchanged at £2.06m compared to £2.07m.

Profits from dealing fell from £572,498 to £483,612, while income from investments was slightly up at £1.60m (£1.59m).

Earnings per share were down at 34p (36.5p) and a final dividend of 16p is proposed, making 24p (23.5p) for the year.

## Countryside expands by 31%

CONSIDERING THE changed economic conditions and the current slowdown in the housing market throughout the period, the 31 per cent profits rise at Countryside Properties was a very satisfactory achievement, said Mr Alan Cherry, chairman.

In the six months to March 31, pre-tax profits at the property developer and house-builder moved up to £11.13m (£8.52m), while turnover was virtually static at £45.57m

(£47.02m). Mr Cherry said that although Countryside was not immune to the effects of the very high level of interest rates, he expected the current 12 months to be "another year of record profits".

Earnings moved ahead to 20.1p (15.4p) per share after tax took 30 per cent more at £3.8m (£2.98m). The interim dividend is lifted to 1.5p (1p).

Sales from the residential division were down to £31.3m (£33.9m), though gross profits

edged up to £9.7m (£9.5m). Turnover in the commercial division advanced to £13.9m (£10.7m), with profits leaping to £3.9m (£914,000). Rental income from property investments was £272,000, producing a profit of £187,000.

Mr Cherry said that the group's purchaser assistance schemes had been effective in helping reduce the now longer time between sale reservations of the group's new housing and completion on the properties.

## Bournemouth Water bought for £17.6m

BIWATER, a private UK water contractor, yesterday announced an agreed cash offer of £17.6m for Bournemouth and District Water Company, writes Andrew Hill.

Bournemouth - a statutory water company which serves about 250,000 people in Wessex Water Authority's area - announced it was in bid talks at the beginning of April.

Biwater is the only UK group to have mounted successful bids for statutory

water companies. It already controls East Worcestershire Waterworks and Bournemouth's neighbour, West Hampshire Water Company.

The private company holds 23.7 per cent of Bournemouth's voting stock and intends to use its water company investments to gain experience in the operation and maintenance side of the water industry.

The Bournemouth offer is being made through Biwater's wholly-owned subsidiary,

BSH, and is pitched at £15 for every £1 nominal of 3.5 per cent ordinary stock, and every £1 nominal of 2.3 per cent preference stock.

Bournemouth is one of four statutory companies - Bristol, West Hampshire and tiny Chalderton are the others - which supply water to more than half the population of 2.41m in Wessex's region.

Biwater was the first group to make a bid in the UK's private water sector with an

agreed offer for East Worcestershire in March 1988.

That bid was mounted through a joint venture with the statutory company's management, called Biwater Supply, which has since gone on to obtain work overseas and help the parent company with its £400m water supply contract in Malaysia.

Three French water suppliers have also mounted successful bids for 12 of the 29 UK statutory water companies.

### SHARE STAKES

The following changes in share stakes have recently been announced:

**Abstract New Dawn Investment:** A total of 3.33 shares (22.19 per cent) are held in investment portfolios managed on a discretionary basis on behalf of investment customers of Singer & Friedlander.

**Arcliffe Holdings:** Following the purchase of 25,000 shares Govett Strategic Investment now holds 1.72m shares (34.42 per cent).

**Bristol Channel Ship Repairs:** G H Bailey and its subsidiaries have disposed of 3.33m shares, cutting their interest from 28.31 per cent to 24.15 per cent.

**Castings:** WGTG Nominees has disposed of its total interest of 600,000 shares (5.51 per cent).

**City of Oxford Investment:** Olfitt and Partners has disposed of 780,000 shares, cutting its holding to 1.95m (9.75 per cent).

**Commercial Union:** Adelaide Steamship and associated companies have acquired a 4.66m ordinary bringing their total holding to 50.95m (12.03 per cent).

**English & Caledonian Investment:** The Equitable Life Assurance Society has acquired 100,000 ordinary taking its holding of voting shares to 700,000 (15.61 per cent).

**F&C Pacific:** Royal Life Insurance Group has cut its holding below 5 per cent. The Water Authorities Superannuation Fund has raised its holding to 15.94m (15 per cent) following the acquisition of 1.82m shares.

**First Leisure:** Norwich Union Life Insurance Society has acquired 1.42m ordinary and now holds a total of 7.29m (5.29 per cent).

**Fundinvest Inc:** International Financial Markets Trading has acquired 400,000 income shares and now holds 600,000.

**Gartmore Value Investments:** The Water Authorities Super-

annuation Fund has acquired a beneficial interest in 5,008,595 ordinary (10 per cent). Funds under the management of Merchant Navy Investment Management have a beneficial interest in 7.5m ordinary (15.68 per cent).

**Hampden Homecare:** John Goldstone has disposed of 500,000 ordinary at 82p per share taking the holding to 1.12m (7.47 per cent). This holding is as a trustee with Mrs F Goldstone of a settlement of which J Goldstone is also a beneficiary.

**Hanson:** Mr MG Taylor, Mr DC Boulton and Mr AGB Alexander, directors, exercised 258,298, 204,998 and 221,898 options respectively, over ordinary shares at 53.3p and sold all shares at 199p each. Sir Gordon Booth exercised 50,000 options over ordinary shares at 26.7p and sold the shares arising at 198p. Messrs Taylor, Boulton, Alexander and Sir Gordon Booth continue to have an interest in 408,108, 466,666, 829,132, 1,429,733, 754,953 and 244,857 options respectively under Hanson's share option schemes.

**Marco & W S MacMillan:** has reduced its holding by 45,000 ordinary shares. The notified number of shares now under his control is 2,719,441 (12.29 per cent).

**Oltham Convertible Trust:** Merchant Investors Assurance has decreased its interest to a total of 1m ordinary (about 6.7 per cent).

**Preserich Holdings:** Norwich Union Life Insurance Society has acquired 325,000 ordinary bringing the total holding to 3,228,682 (8.83 per cent).

**Sanderson Holdings:** Directors P T Noden and M Beaumont have sold 282,000 and 149,000 ordinary respectively. Their resultant holdings are respectively 755,000 and 336,000 (9 per cent and 4 per cent).

**NOTICE TO SHAREHOLDERS OF MLH REALTY INVESTMENTS VI N.V.**

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place on May 31, 1989, at the registered office of the Company: S John B. Gortswaeg, Curaçao, Netherlands Antilles. The agenda of the meeting is set forth below.

**AGENDA**

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

- Report by Board of Supervisory Directors on the course of business of the corporation and on the administration completed during the fiscal year ended November 30, 1988.
- Discharge and subsequent re-election of the Board of Supervisory Directors.
- Waiver of the requirements of the Articles of Incorporation regarding the period within which the Annual General Meeting of Shareholders is to be held and to consider this meeting at the City held Annual General Meeting of Shareholders concerning the fiscal year ended November 30, 1988.
- Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1988.
- Further appropriation of the Net Result of the period November 30, 1987 through November 30, 1988.
- Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1988 and as presented in the report of the accounting firm of Ernst & Whitney, dated May 2, 1989.
- Discharge and subsequent re-election of the Board of Managing Directors.
- Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares, have executed a discretionary proxy in favor of Yvonants Corporation N.V., authorizing Yvonants Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvonants Corporation N.V., S John B. Gortswaeg, Curaçao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvonants Corporation N.V. as to the voting of their shares by writing to Yvonants Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.  
By: Pearson Trust (Curaçao) N.V.  
Managing Director

**Bayerische Landesbank Bulletin**  
MONEY AND CAPITAL MARKETS REPORT - MAY 1989

## DM Bond Rates A Tightrope Act

Although the Bundesbank has demonstrated its independence by raising the key rates without prior warning, this has done little to change the environment for interest rates.

External developments continue to hold sway over the German bond market; merely the intended abolition of the withholding tax could temporarily lessen their influence. The internal factors determining interest rates have faded into the background.

Though providing the Bundesbank with important cues, they usually carry less weight in an assessment of the overall situation than the news coming from overseas. To mention just three of the favorable domestic factors which have so far failed to attract the attention they deserve:

- The fall in the government's borrowing requirements to a multi-year low.
- German companies' strong liquidity position, which will cause their borrowing needs to drop below the average for the next few years.
- The Bundesbank's current policy of providing interest-rate signals via discount, Lombard and repurchase rates, without giving rates a major upward push.

But the bond market is mesmerized by the ups and downs of the US dollar and US interest rates in response to alternating "good" and "bad" news. The US economy presents a highly mixed picture at present.

The Bundesbank, therefore, has only limited influence on long-term rates. The changes in the general climate, which often come too abruptly and are accompanied by an inflow or outflow of foreign exchange, keep interfering with its endeavors to stabilize interest rates and the D-mark as far as possible. This means keeping the dollar from jumping above DM 1.90, so as to contain inflation, and, at the same time, keeping it above DM 1.80, so as to prevent an undesirable inflow of foreign exchange.

At any rate, central-bank policy on both sides of the Atlantic is remarkably independent of the vagaries of market sentiment. While the mood in the German and US bond markets tends to change with almost every twitch of US economic indicators, both the Bundesbank and the Fed have been pursuing consistent interest-rate policies for more than a year.

**Fewer conflicting signals**

The Bundesbank is compelled to perform a tightrope act in its monetary policy. On the one hand, it has to take account of external factors and, on the other hand, it feels the need, after the excessively fast growth of the money supply in the past few years, to put a harder squeeze on liquidity than would be necessary to restore the balance between monetary expansion and the potential increase in nominal GNP.

It may give the Bundesbank some comfort to know that the monetary environment is likely to improve steadily in the next few months. Slower money growth in the US can be expected to reduce the disparities in economic performance. The cooling in the economy will diminish the probability of a further rise in the discount rate. This will also mean fewer conflicting signals from across the Atlantic, which have repeatedly caused confusion and uncertainty regarding interest rates.

**Domestic Non-Banks Replace Foreigners as No. 1 Investor Group**

Foreign investors, whose net purchases of D-mark bonds had equaled those of banks and non-banks together in 1985 and 1987 and who had been the No. 1 investor group in 1986, practically withdrew from the market last year. Domestic non-banks accounted for the lion's share of net sales, but their buying interest centered on foreign currency bonds and foreign Deutsche Mark bonds. Banks bought the bulk of bonds floated by domestic borrowers.

Head Office:  
Griener Strasse 20, 8000 München 2,  
Tel: (89) 2171-01, Telex: 5286 270,  
Telefax: (89) 2171-5579.

Branches:  
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Luxembourg, Tel: 47 39 11-1.

Representative Offices:  
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# KING & SHAXSON HOLDINGS PLC

EXTRACTS FROM THE STATEMENT OF THE CHAIRMAN, MR. W. E. C. D'ABBANS

Your Directors have pleasure in reporting a profit for the year ending 30th April 1989 of £1,700,000 after providing for rebate, taxation and transfer to contingencies reserve. A final dividend of 6.75 pence per Ordinary share is proposed making a total for the year of 9.25 pence, the same as in the previous year.

In my last statement, which was written very shortly after the 1988 Budget, I expressed strong doubts about the future of interest rates and the economy. My forebodings have been borne out by the course of events. Unfortunately the authorities, as usual, reacted too slowly to developments and we suffered seven increases of 1/2% in Base Rates between the end of May and early August. If more forceful action had been taken in time we might have spared the two further increases of 1% in August and November. Both of these latter moves were brought about by bad balance of payments figures as the over exuberant level of domestic activity sucked in imports from abroad to fill the vacuum.

In these circumstances I regard the profit we are reporting as being extremely satisfactory. It has only been achieved by the Discount House maintaining a portfolio of very short-dated instruments and a very distrustful view of interest rates. We have avoided the opportunities of losing money in the many false dawns that have occurred.

I am pleased to be able again to report that King & Shaxson Money Brokers, our wholly owned Stock Exchange Money Broker subsidiary, has continued to make satisfactory progress and has made a heartening contribution to the Group's profits.

There are some signs from the domestic indicators that the level of activity in the United Kingdom is beginning to subside. The main internal worries at present stem from the level of wage demands, increasing industrial unrest, inflation and the balance of payments. The shortage of skilled labour which is becoming apparent will have both internal and external effects. If we can continue to manage to avoid a foreign exchange crisis, which could be brought on by any of these factors or developments abroad, there may be a hope that we will avoid further increases in interest rates. However, in any case it is hard to foresee an early decline. Whatever happens, I feel that your Company is in a strong position.

Copies of the 1989 Annual Report and Accounts may be obtained from the Secretary, King & Shaxson Holdings PLC, 52 Cornhill, London EC3V 3PD.



Specialist commercial property advisers

Pre-tax profit up 80 per cent, "Activity continues strongly"

	Year to 6th April*	% change	
	1989	1988	
Turnover	£5,136	£2,627	+96%
Pre-tax profit	2,654	1,473	+80%
Earnings per share (basic)	10.14p	6.27p	+62%
Total dividends per share for year	3.6p	2.5p	+44%

Extracts from the Chief Executive's statement: "The Group traded strongly and profitably throughout the year... There has been little evidence of the predicted softening in the commercial property market... The Group broadened its client base still further and enjoyed another, significant uplift in the average value of transactions... The current year has seen activity continue strongly."

\*Taken from the unaudited preliminary statement of 22nd May 1989 and the audited 1988-89 Report and Accounts. The 1988-89 Report and Accounts will be available in July from: The Secretary, de Morgan Group plc, 20 King Street, London SW1Y 6QY.

## BUSINESS LEADERSHIP IN THE COMMUNITY

The Financial Times proposes to publish this survey on:

14th July, 1989

For a full editorial synopsis and advertisement details, please contact:

Rachel Fiddimore on 01-873 4152

or write to her at:

Number One Southwark Bridge London SE1 9HL

## UK COMPANY NEWS

### York Trust pays £3m for loss-making money broker

By John Riddling

YORK TRUST, the USM-quoted financial services group, is to acquire the businesses of Kirkland-Whittaker, the money broker owned by Spedley Group, which went into liquidation last month, a victim of the Australian fringe banking crisis.

It is to pay about £3m in cash for the loss-making business which it will merge with Babcock & Brown, its existing money-broking subsidiary.

York Trust is buying Kirkland-Whittaker (London), the Bank of England-regulated money broker, and Kirkland-Whittaker Services, which owns dealing equipment and which has hire purchase debts of about £4.2m.

It will also acquire Kirkland's overseas businesses, which comprise offices in Amsterdam, Hong Kong, Luxembourg, New York, Bahrain, Jersey and Singapore.

In the year to October 31 1988, Kirkland-Whittaker reported losses of £1.5m on turnover of £14m. Mr Dick Bateman, managing director, said that this reflected Spedley's policy of emphasising a broad business spread.

As a result of this policy, certain operations, notably spot dollar/D-Mark and dollar/Swiss franc, were continued despite incurring losses.

Mr Bateman said that these businesses had been discontinued this week and that emphasis would be placed on more profitable areas.

Kirkland-Whittaker has been considering its options since Spedley was liquidated on the request of its two largest creditors, Australian National

Industries, the heavy engineering group, and GFI Leisure, formerly controlled by Mr Brian Yuill, who also headed Spedley Group.

In seeking to replace its major shareholder, Kirkland-Whittaker received a number of approaches from within the industry and considered a management buy-out.

Mr Keith Mellors, finance director at York Trust, said that the company was pleased to have been chosen as the merger partner and that the combination will create a strong international money broker.

He said that "whereas we had a strong London-based sterling business, we had no international network for foreign exchange activities. This merger provides that at a stroke."

LODGE CARE, which provides nursing and residential care homes for the elderly, is making an agreed takeover of Property Company of London to create a £32.3m merged group.

The merger, anticipated since last week, will be effected by a share exchange with a cash alternative. For every one share in PCL, USM-quoted Lodge Care is offering one of its own shares or 17p in cash.

Directors and other shareholders in PCL accounting for 83.5 per cent of the equity have agreed to accept the Lodge Care offer.

The catalyst for the merger was Gamlestaden, the London arm of the banking operation run by Nobel Industries of Sweden. Gamlestaden last month took a 29.9 per cent equity stake in Lodge Care, but it has also lent money to Property Company of London.

The idea behind the merger is to blend the assets of Lodge Care with the entrepreneurial approach of PCL which has

### Lodge Care in £23m merger with Property Company of London

By Paul Cheswright, Property Correspondent

three subsidiaries covering golf and leisure operations, property development and waste disposal. The new group will have a gearing of around 15 per cent.

The merged group will be called Property Company of London. Gamlestaden will hold about 12 per cent of the equity.

In its last full-year results as an independent entity, Lodge Care recorded a fall in pre-tax earnings for the 12 months to December 1988. On turnover of £6.8m, pre-tax profits were £300,000, compared with £578,000 the previous year. The final dividend is 2.25p, making full payments for the year of 2.75p, the same as in 1986-87.

Earnings at Lodge Care have improved during the current year because of the sale of some of its older properties. Mr Stephen Alexander, the chairman, said:

"On the market yesterday Lodge Care shares rose 12 to 19 1/2, while those of PCL were down 40p at 215p."

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### Profits rise by 80% to £2.7m at de Morgan

AN 80 PER CENT increase in pre-tax profits in the year to April 6 was announced yesterday by de Morgan Group, the specialist commercial property adviser which graduated to the main market last year.

The taxable outcome was £2.65m (£1.47m) and it was achieved on turnover expanded 96 per cent from £2.63m to £5.14m. Tax rose to £382,000 (£233,000), leaving earnings up at 10.14p (6.27p) per share, a 62 per cent rise.

There is a 44 per cent rise in the dividend for the year, from 2.5p to 3.6p, boosted by a proposed final of 2.35p (1.85p).

Mr Adrian de Morgan, chief executive, said that the group had traded strongly throughout the year, with particularly good performances from de Morgan & Co, the commercial property investment and development company, and from Woolgate Property Finance.

He added that there had been little evidence of the predicted softening in the commercial property market. Indeed the group had broadened its client base and new relationships had been forged with overseas investors. De Morgan Retail had had an encouraging first year, with the Retail Group, the company's newest acquisition, increasing its involvement in major retailing and shopping centre consultancy projects.

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### BMSS doubles

BMSS, the builders' merchant which came to the USM in June 1988, has revealed doubled pre-tax profits of £1.49m for the year to January 31 compared with £753,000 for the previous year.

Turnover rose from £10.09m to £212.02m; after tax of £410,000 (£208,000) net earnings per share were 16p (9.12p). A proposed final dividend of 2.25p makes a total of 4p.

### Personal Assets' NAV rises 10.7%

By the end of its financial year, April 30, Personal Assets Trust had increased net asset value to 6L44p, a 10.7 per cent rise over 1988.

Some 70 per cent of assets were in the UK and the balance in the US. Liquidity currently represented 2.8 per cent. Earnings rose to 1.46p (1.12p) mainly because of high liquidity in the first half. The dividend is raised from 1p to 1.25p including a special 0.25p.

### OTT meeting postponed

By Clay Harris

OCEAN Transport & Trading, the distribution group, has postponed its annual meeting, scheduled for today, because the required notice was posted one day too late.

OTT intends, however, to pay the proposed 8p final dividend on schedule on June 1, by calling it a second interim and then seeking the requisite approval at the rescheduled

agm in late June. Shareholders will be told the date this week.

The company said yesterday that it had only just noticed its failure to post the notice in time to give 21 clear days before the agm. In the past year, at least three other companies, Land Securities, Yale and Valor and Bett Brothers, have been obliged to postpone their agms for similar reasons.

### REA continues recovery

REA Holdings, the plantation and commodity trader, continued its recovery and returned to the black with pre-tax profits of £707,000 in the year to end-December 1988.

This compared with a loss of £483,000 last time and was struck on turnover reduced from £42.8m to £26.9m. The interest charge this time

was more than halved to £213,000 (£577,000) and after tax of £268,000 (£196,000) earnings per £1 share worked through at 6.2p (21.39p losses).

The company has discontinued the practise of paying both an interim dividend and a final, and in March shareholders received a single dividend of 3p for the 1988 year.

### French stake in Rutland

By George Graham in Paris

COMPAGNIE de Presbourg, the French investment company owned by Mr Jean-Luc Lagardère, has taken a 5 per cent stake in Rutland Trust, the US financial services group controlled by London and Edinburgh Trust.

Presbourg said it had paid about Ffr 87m (£5m) for the stake. Mr Christian Giacomi-

otto, president of Presbourg and of Banque Arjil, has been invited to join Rutland's board.

The Lagardère group's main holdings are Matra, the electronics and defence company and Hachette, the book and magazine publisher. Rutland doubled its pre-tax profits last year to £12.1m.

High	Low	Company	Price	Change	Div	Yield	P/E
372	295	Acc. Brit. Ind. Distrib.	300ad	0	10.3	3.1	9.0
32	28	Armstrong and Ross	28	0	0	0	0
33	25	BBS Design Group (USM)	30	0	2.1	6.8	7.3
193	149	Barton Group (USM)	149	0	2.7	1.4	23.0
115	105	Barton Group Co. Prof. (USM)	115	0	4.7	5.0	8.0
123	100	Bray Technologies	100ad	0	5.9	5.0	8.8
110	107	Brenhill Co., Prof.	108	0	11.0	10.2	-
305	285	CCJ Group Ordinary	278ad	0	14.7	4.9	3.7
176	146	CCJ Group 11% Conv. Pref.	176	0	14.7	8.4	-
200	140	Carbo Pte (USM)	200	0	7.4	3.8	11.8
110	109	Carbo 7.5% Pref (USM)	110	0	10.3	9.4	-
394	355	George Blair	394	0	22.0	3.0	8.7
125	119	Jeti Group	125	0	0	0	18.4
174	115	Jackson Group (USM)	174	0	7.1	4.1	10.1
322	261	Multihouse NV (AmstSE)	305	0	0	0	4.1
108	98	Robert Jenkins	108	0	0	0	0
467	403	Spridmolen	467ad	-2	18.7	4.0	12.4
285	270	Torday & Carlisle	285	-4	9.3	3.3	9.9
117	100	Torday & Carlisle Conv Pref	117	-2	10.7	9.1	-
122	92	Trexon Holdings (USM)	103	0	2.7	2.7	11.1
114	106	Unitrust Europe Conv Pref	114	0	8.0	7.0	-
375	355	Veterinary Group Co. Plc	395	0	22.0	5.8	8.4
370	327	W. S. Yates	332ad	0	16.2	4.9	22.7

Securities designated (US) and (USM) are dealt in subject to the rules and regulations of The Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA.

These Securities are dealt in strictly on a market basis. Neither Granville & Co Limited nor Granville Davis Limited are market makers in these securities.

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Prices taken at 5pm and change is from previous close at 9pm

## PETROFINA

société anonyme  
52 rue de l'Industrie - B-1040 Brussels  
VAT No 403.079.441 - R.G. Brussels No 227.857

### Dividend Notice

At the Ordinary General Meeting of May 12, 1989, the Shareholders decided to pay a dividend of BF 400 net of withholding tax to the 20,022,312 shares outstanding at December 31, 1988, coupons No 4 and following attached, and of BF 427 net of withholding tax to the 125,000 AFV-shares, coupons No 4 and following attached.

The dividend will be payable on or after May 23, 1989 against surrender of coupon No 4 at the offices of the following paying agents:

Banque Bruxelles Lambert Générale de Banque  
Kredietbank Banque Paribas Belgique  
Banque Nationale de Paris Crédit du Nord  
Banque Internationale à Luxembourg Banque Générale du Luxembourg  
Algemene Bank Nederland Amsterdam-Rotterdam Bank  
Commerzbank Deutsche Bank Dresdner Bank  
Crédit Suisse Swiss Bank Corporation Union Bank of Switzerland  
Credito Italiano Banque Belge Ltd.  
as well as at the Company's registered office.

This notice is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.

## EVODE GROUP p.l.c.

(Registered in England No. 748389)

Issue of up to 40,638,532  
7p (net) convertible cumulative redeemable preference shares of 10p each in connection with the Recommended Increase Offers for

### CHAMBERLAIN PHIPPS PLC

The Council of The Stock Exchange has granted permission for the above mentioned securities to be admitted to the Official List. Listing Particulars of the new 7p (net) convertible cumulative redeemable preference shares are available in the Extra Statistical Service and may be obtained, during normal business hours on any weekday (except Saturdays and Bank Holidays), up to and including 25th May, 1989 from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD. Copies of the Listing Particulars will also be available for collection up to and including 6th June, 1989 from:

Evode Group p.l.c.  
Common Road  
Stafford  
ST16 3EH

Morgan Grenfell & Co. Limited  
23 Great Winchester Street  
London EC2P 2AX

Kleinwort Benson Securities Limited  
20 Fenchurch Street  
London EC3P 3DB

23rd May, 1989

PLEASE TAKE NOTICE that, pursuant to 11 U.S.C. 541(c)(4), a meeting of creditors of MCorp, MCorp Financial, Inc., and MCorp Management, debtors-in-possession in chapter 11 cases currently pending in the United States Bankruptcy Court for the Southern District of Texas, Houston Division, Chapter 11 Case Nos. 89-02348-RZ-11, 89-02312-H3-11, 89-02324-H5-11, respectively, shall be held at South Texas College of Law, 1303 Sea Jacinto Street, Houston, Texas, U.S.A. 77002, in the 4th Floor Joe M. Green Advocacy Auditorium, on June 12, 1989 at 1:00 p.m. Central Daylight Time. All proofs of claim in the above-mentioned chapter 11 cases are to be mailed to and filed with MCorp, c/o United States Bankruptcy Court, 515 Rank, Houston, Texas, U.S.A. 77002, on or before September 11, 1989. All proofs of claim must be filed on or before September 11, 1989.

# Pargesa

## Holding SA

Geneva

Notice is hereby given to shareholders of an Ordinary Shareholders Meeting to be held on Monday, May 29, 1989, at 11.30 a.m. at the Head Office of BANQUE PARIBAS (SUISSE) S.A., 2, place de Hollande - Geneva (Switzerland).

TO CONSIDER FOLLOWING ITEMS:

1. Presentation of the 1988 profit and loss statement, the balance sheet for the year ended December 31, 1988, the management report, the proposals to allocate the net profit and the auditors report.
2. Discussion and approval of profit and loss statement, balance sheet, management report and proposals of the Board of Directors.
3. Discussion and vote on the discharge of the Board of Directors.
4. Election of the Board of Directors.
5. Election of the Auditor.
6. Increases of capital.
  - a) Discussion and vote of a resolution regarding an increase of the share capital from SF 1,193,500,000 to SF 1,312,850,000 by way of an issue of 108,500 registered shares of SF 100 nominal value each, with preferred voting right, and by way of an issue of 108,500 bearer shares of SF 1,000 nominal value each, reserved to the present shareholders, in the proportion of one new share for each ten shares held.
  - b) Vote of a resolution stating the subscription in full to this increase of share capital and its payment in full.
  - c) Discussion and vote of a resolution to increase the capital from SF 1,312,850,000 to SF 1,378,850,000 by way of an issue of 60,000 registered shares of SF 100 nominal value each, with preferred voting right, and by way of an issue of 60,000 bearer shares of SF 1,000 nominal value each. This resolution involves the abolition of the preferential subscription rights of shareholders. These new registered and bearer shares are issued in order to enable the reimbursement of a bond issued by an affiliated foreign company, by the remittance of such bond against shares.
  - d) Vote of a resolution stating the subscription in full to this second increase of share capital and its payment in full.
  - e) Discussion and vote of a resolution to increase the capital from SF 1,378,850,000 to SF 1,455,850,000 by way of an issue of 70,000 registered shares of SF 100 nominal value each, with preferred voting right, reserved to registered shareholders in the proportion of one new share for each 17.9 shares held and by way of an issue of 70,000 bearer shares of SF 1,000 nominal value each. This resolution involves the abolition of the preferential subscription rights of shareholders. These bearer shares are issued in order to enable the exercise of options granted to the beneficiaries of the "incentive plan" which has been set up by the Company in replacement of the previous plan which was based on participation certificates.
  - f) Vote of a resolution stating the subscription in full to this third increase of share capital and its payment in full.
7. Vote of a resolution relating to the amendment of article 5 of the statutes setting the share capital and its composition.
8. Vote of a resolution relating to the approval of Declarations I and II whereby no assets are taken over or contributed in kind.

Shareholders may obtain entry cards to the Shareholders Meeting at the BANQUE PARIBAS (SUISSE) S.A., UNION DE BANQUES SUISSES, SOCIÉTÉ DE BANQUE SUISSE and CRÉDIT SUISSE, from May 19 to 26 until noon, by depositing their shares or a receipt for such deposit with another bank.

The management report, including the income statement, the balance sheet, the Auditor's Report, the proposals by the Board of Directors regarding the allocation of the fiscal year's net profit as well as the proposed amendments to the statutes, are available to the shareholders at the Head Office and subsidiaries of the aforementioned banks.

Geneva, May 16, 1989

For the Board of Directors  
G. Elkannai Chairman  
R. Tapernoux Secretary

# FINANCIAL TIMES SURVEY

**The profile of the automatic identification industry is not particularly conspicuous. But, as Paul Abrahams explains here, this sector is set to create a revolution in manufacturing and retailing comparable to the one that has occurred in the office environment.**

## New power for businesses

**AUTOMATIC** identification — the process by which data can be automatically inputted into computers without traditional manual key-stroking — is a method of giving new power to businesses. It provides them with rapid, up-to-date and accurate information about their operations and can both help reduce costs of production and inventory systems while improving customer responsiveness.

With the current drive in management practices towards total quality control and just-in-time manufacturing, the demand for that sort of information and the technology necessary to gather it has guaranteed rapid growth for the automatic identification market.

Although the auto-id sector does not have a high profile, the Market Intelligence Research Company (MIRC), based in California and Brussels, estimates that world-wide sales of automatic identification equipment will be worth more than \$3.6bn by 1990, compared with \$688m in 1983. This represents a compound annual growth rate of 25 per cent.

The most ubiquitous automatic identification technology is the bar code which has been used to identify everything from bees entering their hives

to honey on the shelves of supermarkets.

MIRC believes that as bar codes escape from supermarkets into other sectors, bar code products will become increasingly dominant, representing 73 per cent of the total US market for automatic identification equipment by 1993 from a base of 69.3 per cent in 1987.

Bar code product manufacturers are targeting two main markets: according to Mr Paul Burnett, president of Seer Incorporated, the London-based industrial market research company.

The first of these is the US non-food retail sector. Mr Burnett expects this market will grow between 25 and 45 per cent per annum over the next few years as managers replicate the benefits already witnessed in the food retailing sector.

The benefits of the technology have already been demonstrated, states Mr Burnett. And he adds that the advantages of electronic data interchange have already proved sufficient to attract the interest of discount stores such as Wal-Mart Stores, the expanding US regional retailer, and K Mart, the second-largest North American retailer.

The second sector which he expects to be targeted is manufacturing. Mr Burnett says that recent systems now appear to be much more rugged than those of the early 1980s, which appeared to have difficulties in harsh environments. New printers and scanners are now proving more reliable in harsh manufacturing conditions.

However, bar codes only represent one technology available for automatic identification. The range of other



# AUTOMATIC IDENTIFICATION

technologies capable of being implemented in a wide range of applications should also help the total automatic identification market expand.

Other than bar codes, the other commonly used optical-based system is optical character recognition (OCR). This involves readers which recognise typed and written data and convert it into digital information.

One of the main markets for

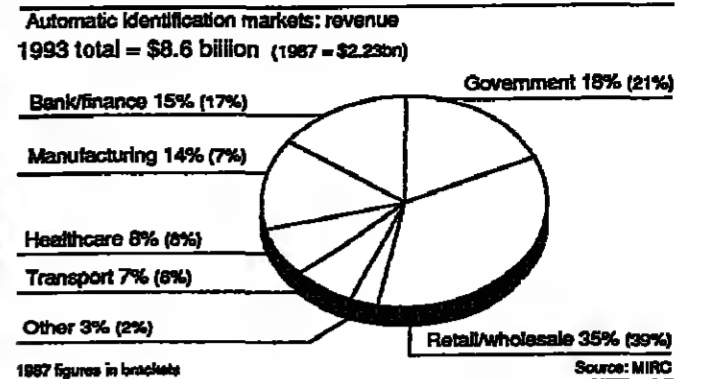
OCR equipment in the early 1990s will be public postal services. The US Postal Service has already announced a \$5bn five-year programme to automate its sorting and hopes this technology will be used to identify 100 per cent of all its mail automatically by 1995.

The UK and Canadian postal services have also announced similar programmes, but on a smaller scale.

Non-optical automatic identification technologies, which do not depend on printed symbols, include magnetic stripe, most commonly used on credit-cards and access control systems, magnetic character recognition, which is used by British banks to process checks, and radio frequency.

This last technology has recently received considerable publicity in the UK because of plans to implement a radio frequency system to monitor pris-

### World market forecast



**ILLUSTRATED, left:** some of the diverse applications for automatic identification technology — such as toll systems for vehicles; bar coding of bees; wrist-tags for prisoners; tracking salmon; identity cards for football supporters; computer integrated manufacturing; transport systems; and in banking and financial services. *Illustration by John Batten.*

**IN THIS SURVEY**  
 ■ The bar code market: US industry gets the message, page 2.  
 ■ Japan: a sales boom in the bar code market looks imminent, page 2.  
 ■ Industrial applications: page 2.  
 ■ Retailing; transport and distribution sectors: page 3.  
 ■ Medical applications; access control, page 4.  
 ■ Developments in the technology of automatic identification: pages 4-5.

oners at home while they await trial. Radio frequency may also be used to control access to football grounds as part of the the British Government's determination to deal with hooliganism.

However, this technology can also be used for a wide range of applications including tracking salmon, controlling access to buildings, and monitoring the use of toll motorways, bridges and tunnels.

Despite the wide range of possible applications, analysts expect industry to offer one of the main areas for growth. This is because of the proven benefits of automatic identification on activities throughout organisations.

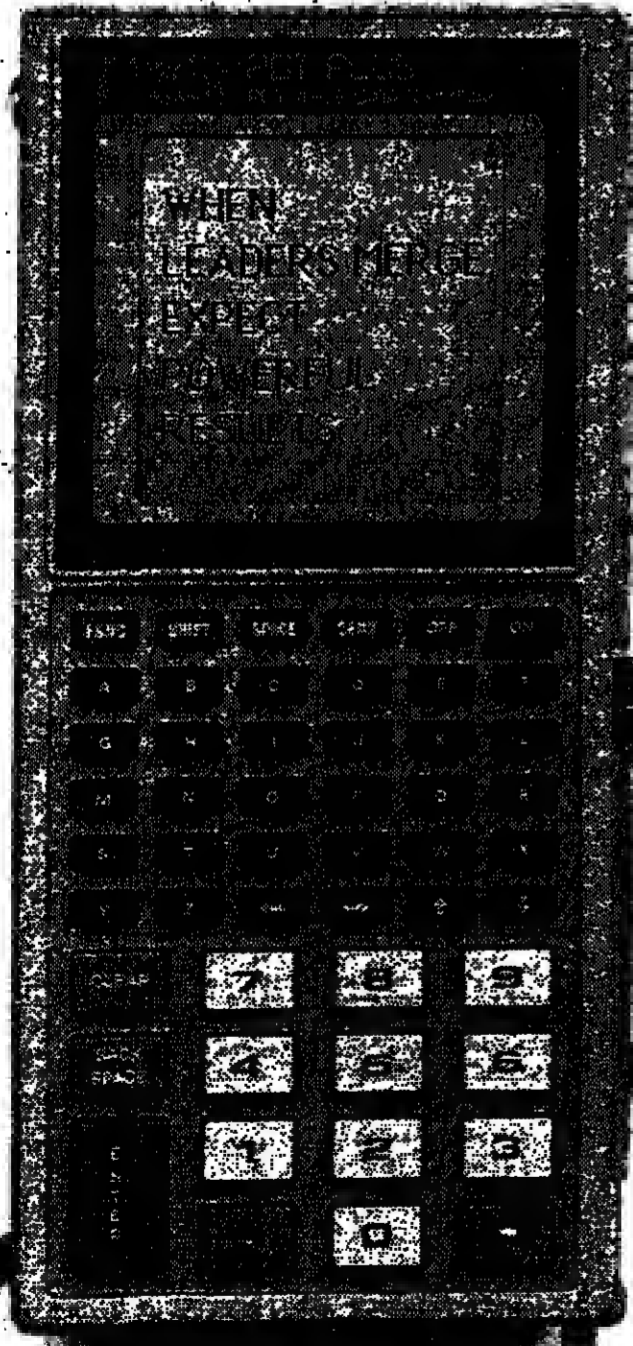
Manufacturers of automatic identification equipment say its advantages include:

- Rapid entry and retrieval of information. This could help an organisation analyse the handling and flow of its raw materials, increase control over work in progress, and obtain sales data from its customers.
- Increased labour efficiency. Automatic identification products should reduce labour requirements, while at the same time improving work conditions. Manufacturers point out that automatic identification should help with the recruitment and retention of labour at a time when demographic pressures are making personnel problems increasingly difficult.
- Given these advantages, it is hardly surprising that organisations are hoping to repeat the success of the food retail sector which was the first to demonstrate the benefits of automatic identification in an arena with extremely tight margins.
- Moreover, the attractiveness of automatic identification for other sectors has been given a boost by the falling cost of the equipment.
- Like other sectors, automatic identification has been enjoying the benefits of the increasing performance of computing at the same time that its price has fallen significantly. An ink-jet printer, which three years ago would have cost \$5,000, now costs £1,000.
- MIRC estimates that the price of an entry-level or pilot

equipment are almost negligible and first-read rates have improved markedly in recent years.

Reduction in inventory requirements. With accurate and current information, it becomes possible to reduce inventory and increase inventory turn rates.

Continued on page 2



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**AUTOMATIC IDENTIFICATION 2**

Louise Kehoe reports on the fast-growing bar code market

In Japan, a sales boom in bar codes looks imminent

**US gets the coded message**

**Prices are coming down**

THE ubiquitous bar code is showing up on more and more items, from cereal boxes to clothing, from computers to car components, providing visible evidence in the United States of a major growth market in automatic identification.

According to Automatic Identification Manufacturers Inc, a trade group representing US companies, sales of automatic identification equipment have grown from \$660m (£397m) in 1986 to \$1.8bn in 1988. The market is projected to continue to grow at an annual rate of 30 per cent to 40 per cent over the next five to 10 years.

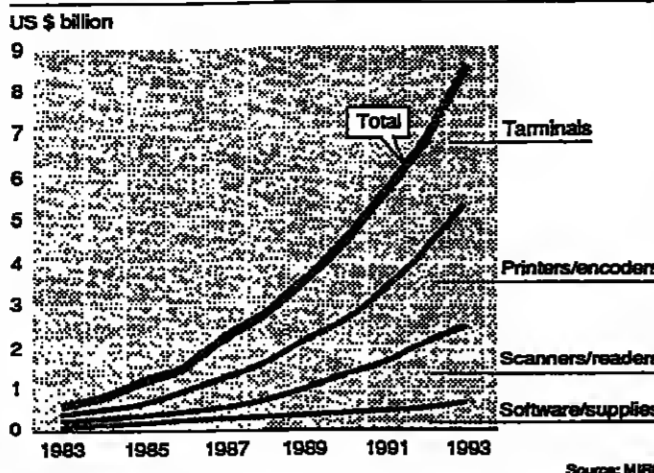
The rapid growth of this industry has been due primarily to adoption of bar code technology beyond its established base in the grocery and service industries to track goods, paper and people in production, inventory and shipping.

In high-volume transaction processing, bar codes have become the leading alternative to manual data entry. Bar codes enable data to be entered more quickly and accurately than is possible with human key-punching. Bar code scanners are also less expensive than other optical character recognition equipment. They demand little training and can be integrated easily with existing automated controls.

A major manufacturing user of bar coding is the US automotive industry. For the past three years US car makers have required their suppliers to ship parts in containers that carry bar codes. Bar codes are also being required on parts that are safety related, such as brakes, transmissions and engines, so that if, for example, the brakes on a car fail then the manufacturer can find the exact location of other cars with potentially faulty parts. The system is not yet fully implemented, but soon will be, say industry experts.

General Motors Corp also uses bar coding to control raw materials, work in progress

**World automatic identification market**



and automated manufacturing. In addition to being used to control parts and processes, bar coding has made important advances in security control and in tracking labour and assets.

However, the real potential of automatic identification lies in the ability to move data collected by bar code readers or other data collection systems from one location to another. Electronic Data Interchange (EDI), or computer-to-computer communication of data collected through automatic identification systems, is most widely used by banks and financial institutions for credit card authorisation and funds transfer.

Electronic Data Interchange, the credit card company, has, for example, developed a major global communications network to handle electronic transmission of authorisation requests. The company has refined its EDI system to maximise efficiency by using coding systems to identify automatically the type of merchandise or category of service being purchased, as well as identifying the charge account.

The system now enables Visa to track automatically use of its credit cards in different markets and to route authorisation requests based upon the risk profile of the type of merchant.

EDI is now spreading into other US industries. US sales of EDI equipment reached \$300m in 1988, doubling 1987 sales, according to a recent market survey.

There are several varieties of EDI systems for different industries. However, most EDI systems employ three basic

clothing manufacturer that was among the first in its industry to tick its merchandise with bar codes, has developed an order transmission program that transmits retail sales data to the manufacturer, and in turn to textile suppliers. The system enables all involved with the clothes industry to monitor consumer trends, control inventories and replenish merchandise more efficiently.

Another user of EDI is Playtex Apparel, a leading manufacturer of women's underwear. All Playtex products are marked with four different bar-coded identification numbers. The duplication reflects the lack of an established bar coding standard in this industry.

Over the past three years, Playtex has developed an EDI system, including a "Quick Response" ordering system for use by its major mass merchandise customers. These department stores re-order weekly, electronically communicating their orders to the manufacturer. Playtex ships throughout the week, notifying the retailer via electronic invoice transactions which have been shipped. The system has produced a dramatic improvement in business at stores where it is in use and is quickly being adopted by more stores, the company says.

Although there are alternatives to bar coding for automatic identification of retail products, the future of bar coding seems relatively secure, according to AIM. Bar coding holds a significant price advantage over other identification systems, such as radio frequency identification which ranges in price from \$3 to \$5 a tag. Bar code labels, by contrast, cost only a fraction of a cent.

Optical character recognition (OCR), another rival technology, is making a comeback, especially in remittance tracking. Optical character recognition codes, however, must be read from close up and cannot be read if damaged, whereas even damaged bar codes are readable and they can be read from a distance, making bar coding more flexible.

Industry experts predict that 80 per cent of the US gross national product will be under bar code control by 1990 as the system is quickly adopted by a growing range of manufacturing and service industries.

AT FIRST glance, the most remarkable thing about Japan's bar code products and systems is that they tend to be rather expensive: ¥10m to ¥50m for a small point of production (POP) plant system, ¥1m to ¥3m for a typical point of sale (POS) unit.

But high prices aside, the boost that bar-coding can give to quality control, production and distribution is proving irresistible to Japanese businessmen. As the benefits of this technology are recognised, the industry is attracting more customers, prices are coming down and a sales boom looks imminent.

The high cost is the main reason offered by analysts for the relatively slow development of bar code usage in Japan to date. According to Automatic Identification Manufacturers (AIM), Japan, an organisation which is trying to promote standardisation of bar code systems, estimated that total sales next year will reach about ¥30bn (£330m).

The other problem is standardisation. Japan has many private bar code standards used by particular groups at the moment, and harmonising them is hindered by the rigid vertical structure of many industries. Basically, a clothing manufacturer does not care about standardisation if he is selling most of his goods through retail outlets.

But even if these problems have so far discouraged many companies from buying bar code equipment, the technology's already proven track record and lowering prices are expected to stimulate the market.

AIM estimates, for example, that the price of a hand held S-laser scanner next year will be about ¥20,000, down from ¥200,000 five years ago. The S-laser scanner is expected to take about 33 per cent of the hand-held market next year — up from zero in 1986.

According to AIM, the total scanner-printer market in 1989 will be worth about ¥17.5bn, up 25 per cent over last year, while 1990 will see sales of ¥21.5bn. That translates into 18,000 printers and over 450,000 scanners for 1990, a 37 per cent increase over 1988. And if you add in all the other bar coding peripherals — software, bar-coded labels, electronic cash registers (ECRs), verifier, portable terminals and the like — the bar code market reaches nearer to ¥30bn, with printers account-

ing for a little over half of the total.

Even some vehicle-part makers, squeezed by the high yen and export constraints on car makers, are betting heavily on the potential growth of bar code equipment. Nippon Denso, a main supplier of auto parts to Toyota, has diversified into the scanner business and now claims to have a roughly 50 per cent share of the Japanese market for this product.

Although Denso's scanners are used mainly in POS units, the parts giant has also tapped the FA (factory automation) and OA (office automation) bar code system markets, says a company official.

The company's close links to Toyota have helped. In overall systems or products related to FA and POP, Denso makes equipment for Toyota's famous "kanban" or "just-in-time" system, in which parts from suppliers deliver their goods to the factory just two hours before they are needed for assembly.

Hewlett-Packard, the US computer group, is making a play for the peripherals market with a new line of hand held scanner gadgets which combine sufficient high-tech features to short-cut the conventional bar code scanning

system by hooking it onto a host computer that can support it.

As regards the retailing sector, the excitement about scanners among bar code equipment makers is easy to understand. By last spring, point of sale units had been installed in 21,348 shops, almost 6,000 of them convenience stores and another 5,000 supermarkets.

However, most of these were purchased by a few very large store chains. For leading chains such as the 3,400-store Seven-Eleven, the conversion to bar codes has been relatively painless. Because of its having power, Seven-Eleven can buy its POS systems for around ¥500,000 apiece, "at least 50 percent less than the amount which smaller stores have to pay."

Renova, Japan's largest clothing store, with 1987 sales of ¥10bn, has found the data collection facet of bar code systems to be extremely helpful. Before installing POS units, Renova sales staff had difficulty obtaining detailed reports of sales from its retail outlets around the country. Now the retailers even know the size and colour of what's moving — and what isn't — almost immediately.

In semiconductor wafer control, an FA code standard,

called Code 39, reads bar codes laser-etched on either raw or processed wafers, using optical fibre sensing technology. A central host computer contains data on progress and history of total wafer production.

But the long-term prospects for the Japan bar code market depend to a high degree on uniformity of bar codes. And standardising bar codes in a country noted for the vertical structure of its industries, will not be easy, say AIM officials.

At the moment, Japan has two industrial bar standards. The Japan Article Number (JAN) code is used only for retail POS transactions.

JAN is the most widely used and is compatible with EAN (European Article Number). It is also similar to the UPC code which Canada and the US introduced in 1972. The other industrial standard is called ITF, established in March 1987, and is used widely in production. But industry groups in Japan have also set up their own private bar-coding standards.

The need for standardisation is therefore clear. The movement is being headed by AIM Japan, which is an affiliate of US-based AIM International which promotes the same objectives.

Chris Perry in Tokyo

**The surging US market for bar codes, now worth over \$1.8bn a year, could grow between 30 and 40 per cent a year in the next decade**

business documents: electronic purchase orders, electronic invoices and electronic packing slips.

The primary use of EDI systems is in sending and receiving purchase orders. Pre-ticked products are scanned at the point of sale. This information is then downloaded into the retailer's purchase order/inventory management system and re-orders are generated electronically, often on a daily basis.

The biggest expansion of EDI networks in the US is expected to take place among clothing retailers, the textile and garment manufacturers who supply them and the transportation companies who move products to distribution centres and stores.

For example, Haggart, a US

**New industrial applications**

**Boost for productivity**

**FLEXIBLE MANUFACTURING** systems, manufacturing resource planning, total quality management and "just-in-time" manufacturing — the jargon trips lightly off the tongue of the business, school graduate.

But according to Mr Allan Willet, founder and chairman of the Willet Organisation, the US-based automatic identification group, that jargon represents an information technology revolution on the factory floor similar to the one that has already occurred in the office environment. And the main tool in that revolution is information supplied through automatic identification equipment.

As a consequence of that revolution, the industrial sector is expected to offer one of the fastest growing markets for

automatic identification. The California-based Market Intelligence Research Company (MIRC), estimates that manufacturing concerns in the US will increase their spending on automatic identification equipment from \$156m (£97m) in 1987 to \$1.2bn by 1993 — an increase of about 4.9m units and a compound annual growth rate of about 40.5 per cent. The company adds that these figures could well be underestimates.

The reason for this rate of growth is the wide range of benefits offered by having up-to-date and accurate data about all aspects of a company's operations. And that information is only available through automatic identification equipment.

Companies are increasingly recognising the need to be cus-

tomers-driven and are now able to receive data electronically from their salesmen. These can be issued with hand-held computers and bar code wands and are able to transmit data captured this way via modem. An alternative source of information in the retail market is through electronic point of sale terminals.

The information from these sources can then be collated at the point of manufacture. In ideal circumstances final stage inventory is also controlled electronically. Each package of goods is bar coded and as requests for more goods come in, so they can be located in the warehouse using a static scanner and then sent for dispatch. Inventory among distributors is therefore kept to a minimum.

Continued on page 3

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**CODING LABELLING AUTOMATIC IDENTIFICATION**

**New power for businesses**

Continued from page 1 system requiring microcomputer, software, labelling, printer and scanners, can now cost less than \$10,000. Moreover, that cost can be further reduced by purchasing pre-printed labels and generic software which will run on a standard PC-DOS personal computer.

The automatic identification industry has also been given a boost by the improvement in available technology. As in other sectors, equipment has been increasingly miniaturised. This has meant that portable computing is now available through hand-held data-collection units which are capable of downloading data to personal or main-frame computers.

This miniaturisation has created the possibility of distributing data-collection throughout organisations. Salesmen in the field can record sales on a portable computer and transmit

the data back to the point of manufacture through a modem in the car. At the same time, workers on the shop-floor who can use hand-held units to control inventory.

Improvements in the reliability of the technology have also helped the expansion of the industry. Not all early installations of automatic identification equipment were a success. Lack of reliability contributed to a number of automatic identification failures and helped contribute to a downturn in the industry in 1985.

The automotive industry in Detroit, for example, had considerable problems with its early automatic identification installations during the early 1980s. These were caused by the introduction of inappropriate technologies for harsh manufacturing environments. The use of untested scanning techniques and the poor quality of bar-codes generated by printers also exacerbated difficulties.

As a consequence of these problems, a number of large concerns in Detroit were, until recently, unwilling to implement the auto-id technology. Analysts believe, however, that the equipment is now sufficiently reliable that large automotive and aerospace companies are prepared to invest extensively in automatic identification.

Although the automatic

identification industry is expanding rapidly, it still remains an immature sector. The trade association for the industry, known as AIM (Automatic Identification Manufacturers), admits that a third of companies in the market were founded after 1980.

The industry also still remains fragmented — only 25 per cent of the 600 or so companies in the market have sales of more than \$10m a year and no single company has more than 12 per cent of the US bar code market which represents the largest sector.

Despite this, some companies have experienced heavy growth over the last three years. Telxon, the hand-held computer manufacturer, for example, increased its sales from \$41m in 1984 to \$123m in 1988.

Mr Paul Burnett, at Seer Incorporated, says that the rapid expansion of the auto id market has not passed unnoticed elsewhere. However, despite rumors within the industry, Mr Burnett doubts that a large computer company will necessarily make an acquisition in the near future. He argues that data collection does not match most of the core interests of these companies.

Nevertheless, he does expect such computer companies to become increasingly concerned in using automatic identifica-

tion in systems integration area. He believes that links similar to the agreement between Digital Equipment, the US computer manufacturer, and Intersec, the Washington State bar-code equipment company, will not prove uncommon.

In the meantime, companies already involved in the sector are likely to want to develop the capability of offering a range of technologies in an effort to provide total solutions to clients' problems rather than single product answers. The merger between Symbol Technologies, the New York state scanner supplier, and MSI Data, the Californian portable terminal manufacturer, is seen as part of this trend.

Despite this apparent rationalisation, analysts expect the market to move sufficiently fast that there will continue to be a considerable number of start-up opportunities at the lower end of the market.

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**AUTOMATIC IDENTIFICATION 3**

**Big rise in retailing applications**

**Shops reap bar code benefits**

IT IS ONLY in recent years that retailers have taken to electronic point-of-sale equipment with enthusiasm, although the technology has been available for some time. However, they are now rapidly introducing the equipment to stores and equally rapidly reaping the rewards. Retailing is now the sector where automatic identification systems have made the most impact.

The retailers' systems are based on terminals recognising items, usually by means of a bar code. Each product and each size has been allotted its own code. Article number associations in Europe have developed bar coding to the extent that 95 per cent of supermarket goods are now bar coded.

When the item is passed over a laser scanner, or in some cases when a light pen or gun is passed across the code, the terminal instantly recognises the product.

The terminal then checks

the price of the good from the computer's memory banks. There have been cases where the computer has a different price to that shown on the shelf by the product, and this has led to some loss of consumer confidence in scanning. Retailers have to be careful to stick to strict procedures when making price changes in the computer's memory.

At its simplest, bar coding has allowed supermarket issues to move much faster. The terminal can recognise an item and find its price much quicker than a cashier can ring up a price on an old-fashioned till.

There are other advantages as well as speed - all receipts, for example, now give a list for customers what products were as well as how much they cost. But the benefits of using electronic point of sale (Epos) terminals go far beyond that. The most easily gained and major benefit is in stock

control. With sales information going straight into a computer, a retailer can find out much faster which lines are being sold. It can then make sure of re-ordering more promptly to avoid out-of-stock positions, one source of lost sales.

In supermarkets, for instance, where there are increasing amounts of fresh, perishable goods being stocked, improved control of stock can ensure that the right items are on the shelf in the right quantities - neither too much, leaving unsold stock to be thrown away, or too little so that sales are not maximised.

The computer terminals can be linked directly to the warehouses so that overnight replenishment of stocks can take place.

Although food shops are the most obvious candidates for using Epos, other retailers can gain as well. At a recent Financial Times conference on retail

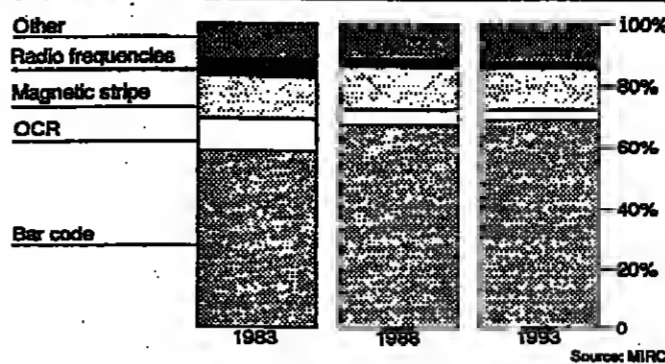
technology, Mr Jeremy Soper, divisional director of retail sales at W H Smith, the newspaper, books and stationery retailer, described how Epos had helped the chain.

The group now has 70 per cent of its branches - and 85 per cent of its turnover going through Epos tills. W H Smith's largest store carries 70,000 different lines. Mr Soper believes that "stock control in a multiple merchandise store is of crucial importance."

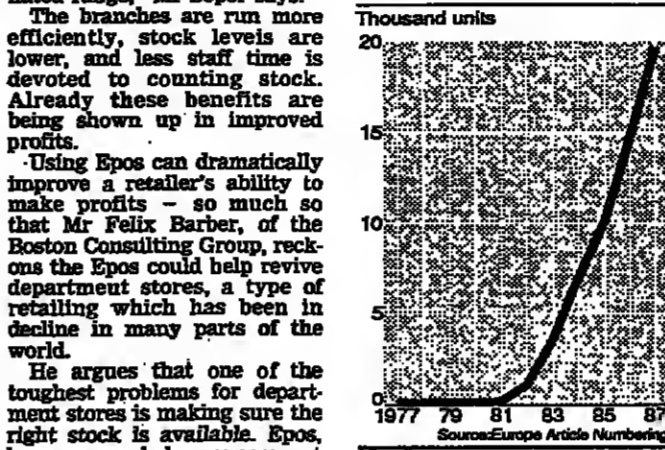
In the past, he says, W H Smith had relied on a three-weekly stock count which was time consuming, costly and produced only rough and ready re-ordering calculations, plus high levels of stock needed to keep stock on the shelves during the long re-ordering lead times.

Stock replenishment is now based on a seven day cycle. Stock re-ordering is worked out by the computer, taking account of variable factors.

**Western Europe: product segments**



**Increase in scanning stores in Europe**



**Vital aid in the transport and distribution sectors**

**Keeping track of packages**

ONE OF the main reasons for the rapid expansion in the automatic identification industry has been the plethora of examples demonstrating the benefits that the technology can offer.

The transport industry and, in particular, companies in the international courier sector, offer some of the most potent examples of these benefits in action.

The major courier companies, such as DHL and Federal Express, are fully committed to automatic identification. Last year, for example, Federal Express, the Memphis-based delivery company, spent about 5 per cent of its gross income of \$5bn (\$3.1bn) on information management technology - technology which depended heavily on data supplied through bar codes.

This data is analysed by a specially written program. This program, which is updated monthly and uses about 400 kilobytes of memory, contains details about scheduled flights used by the company and then works out the best route for the package to use. This avoids the employee having to remember particular routes.

When the employee returns to the delivery van, this information is downloaded to a digitally-assisted dispatch system linked by radio frequency to a local centre.

The data is transmitted the centre from where it is immediately retransmitted to world headquarters. In the case of Federal Express, the process of transmitting data to its headquarters in Memphis takes, on average, 1 minute 27 seconds.

DHL says that, previously, such data had to be keyed in by hand and took about four to five hours, with the attendant risk of mistakes being entered. The company says one of the services it offers clients is to obtain swift customs clearance.

To achieve that, information about items needs to be sent in advance of their arrival. Before the company used bar codes, packages flying trans-Atlantic on Concorde ran the risk of arriving first.

● Packages are then scanned at each stage of their journey. Federal Express says that an item will be scanned at least six times before it arrives at its final destination. For this purpose, DHL uses fixed scanners supplied by Welch Allyn, based in Skaneateles Falls, New York.

● As the parcel is handed over at its destination it is scanned one more time, once again using a portable computer and light wand. This registers the final time of arrival.

● In the Federal Express lap-

more of the same product is bought.

As the shopper's basket is unloaded and passed across the scanner, the terminal spots the second packet of the same item and automatically knocks off the reduction. The gain from making the extra sale more than offsets the price reduction.

More outlandish promotions can also be introduced - the purchase of a lettuce could give a customer a discount on salad dressing, for example. Advanced Promotion Technologies, a US group, has developed systems where the scanning of an item can set off a printer which issues a coupon giving money off another item on a future shopping trip.

This play could help generate store loyalty, a concern of every retailer in the current competitive environment.

Bar codes are certainly making profits for retailers - and so long as customers are sure they are not suffering as a result there should be much more to be made from scanning.

**More factory efficiency**

Continued from Page 2

The manufacturing plant is also linked through electronic data interchange (EDI) to its suppliers. The materials necessary to replace the dispatched stock are ordered and delivered on a just-in-time basis. Their arrival is logged by scanning bar codes on the side of the packaging. Traditional paperwork and the normal associated errors and delays can be avoided. Inventory turnover can be increased many times.

When the parts arrive, the major components are bar coded if they have not been already. As they pass through each stage of the manufacturing process the bar codes are scanned individually by the worker using a hand-held data capture device.

This serves two main functions. Firstly, it records which steps in manufacturing have been completed for each item and avoids components being missed.

Secondly, it helps quality control. Each worker is identified with a particular part of the manufacturing process and if during testing faults are discovered, their origin can be traced and repetition avoided. Bar codes

can also be used to instruct machines which test programs to run on which product if the program registers a fault it can be rejected and the origin of the problem identified.

The use of automatic identification, whether bar code or radio frequency, is also essential to flexible manufacturing systems. As each unit is scanned, so the company is able to monitor the flow of goods. If a significant order is identified as being behind schedule, resources can be re-allocated.

More importantly, the use of automatic identification allows companies to manufacture customised products while maintaining economies of scale.

One of the paradoxes of the potential single European market is that it offers economies of scale similar to those available in the US. However, its multiplicity of languages and regulations mean goods must be customised, which can seriously disrupt the manufacturing process.

The use of automatic identification equipment allows small batches of orders to be produced without seriously disrupting manufacturing. At its best, the individual packages

can be supplied with another bar code, this time so that the distributor can scan the item. On fast-moving production lines ink-jet printers, capable of 35,000 bar codes an hour, would be used.

Although in theory the benefits that can be obtained are undoubted, the implementation of automatic identification is more problematic.

Some of the pioneers of industrial automatic identification in the aerospace and automotive industries during the 1980s had serious difficulties implementing their systems. Indeed, in 1988, these problems, combined with a slow-down in general investment, caused a significant fall in sales of automatic identification equipment.

The use of magnetic stripe technology on the factory floor was heavily promoted in the early 1980s by some US computer companies. Being the US aircraft manufacturer, invested heavily in magnetic stripe technology which was not really appropriate for the application. Its problems were exacerbated when its main supplier ceased to support the technology effectively. The company is now changing to bar codes.

In Detroit, a number of automotive manufacturers also invested in automatic identification equipment which was not geared to the harsh factory environment.

Chrysler, for example, installed 50 retail-type fixed holographic scanners, which soon proved inappropriate. Other companies found that they installed the wrong sort of printers with insufficient definition to be read in shop-floor conditions. Chrysler is now installing a radio frequency system which is more expensive than bar coding, but more suitable to a factory environment.

Both manufacturers and analysts believe that automatic identification technology is now proven and the range of systems available should be able to deal with most situations and applications.

Analysts stress that the eventual level of investment in such equipment is linked to the performance of the US and European economies. But the outlook for automatic identification in the industrial sector is undoubtedly rosy.

Market Intelligence Research Company, 2525 Charleston Road, Mountain View, California, 94043, tel. (415) 961-9000.

Paul Abrahams

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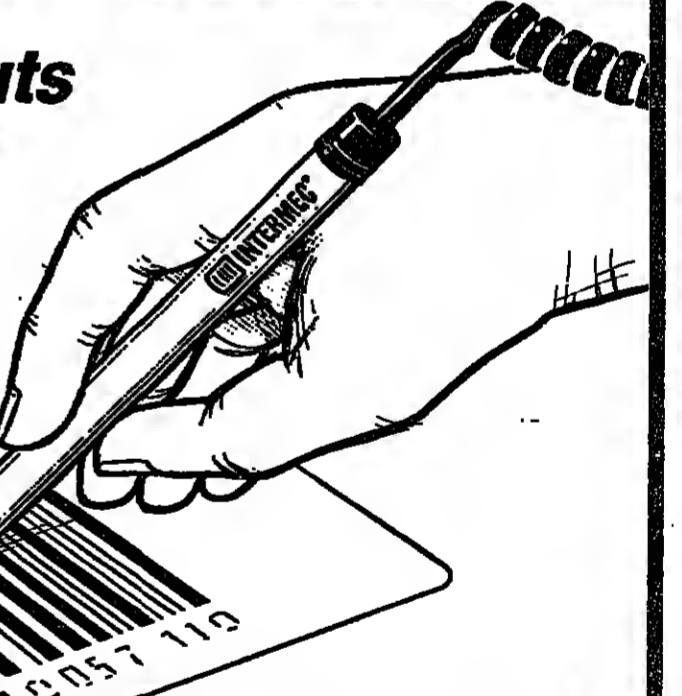
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AUTOMATIC IDENTIFICATION 4

Clive Cookson reports on medical applications

Slow start in health industry

HEALTH CARE might seem to be an ideal field for automatic identification. Products such as drugs and batches of blood which must be identified quickly and accurately in pharmacies and hospitals, are obvious material for bar-coding, and medical information about patients themselves can be coded conveniently on a smart card.

But, in fact, the health industry has been relatively slow to adopt automatic identification. According to the US-based Market Intelligence Research Company, worldwide spending on automatic identification for health care will grow from \$254m (£153m) in 1988 to \$688m in 1993.

Dr Jeff Kipling, ABPI commercial services executive, says EAN will eventually replace the Pharmaceutical Interface Products (PIP) code, a more specialised six-digit code run by the National Pharmaceutical Association (the trade body representing retail pharmacists in the UK).

The longest-established use of bar codes in health care is to identify blood packs. The American Blood Commission adopted Codabar, a code developed by Monarch (part of the Pitney-Bowes group), as a standard for blood bag labelling in 1977, and this is now used internationally.

For identifying other medical supplies, Interdec's Code 39, the most widespread industrial bar code, is commonly used. And a new highly compact code from Interdec, Code 49, will make it easier to put bar codes on very small items such as single doses of medicine or patient identification bracelets.

The health worker - doctor, hospital staff, dentist or pharmacist - requires both a PIN and a key-card which identifies the user to the system and limits access to areas of direct professional concern. A prime objective of the one-year trial is to transfer information between GPs, hospital doctors and pharmacists far more efficiently than is possible with paper.



Printing upon an eggshell - and even the surface of a fried egg - examples of the way that new technology now makes printing possible upon very fragile surfaces.

IF THE HUMAN eye is capable of making adjustments for poor printing and, with newsprint, it has been forced to do so, far too much and far too often - the same is not true of scanners.

These machines have little tolerance and are liable to register no-reads and, less commonly, mis-reads, if printing does not have adequate definition.

The choice of printer to generate bar codes is therefore critical because if the bar code generation is inadequate it can make the best reader, terminal, system and software useless, rendering the investment worthless.

Given that the choice of printer is so important, deciding which one to buy is, not made easy by the bewildering range of technologies available to generate bar codes.

Moreover, that difficulty is made worse by the immature and fragmented nature of the market. There are a large number of companies offering both competing and complementary technologies.

The choice of printer for any automatic identification project depends on the application. A wide range of factors need to be considered.

These include environmental conditions, the process to be used, the volume of production, and the need for a continuous process.

Commercial printing, such as traditional offset printing, is usually performed off-site, and is often used in the retail trade for volume production of labels.

Continued on page 5.

PRINTERS

Producing the right bar code



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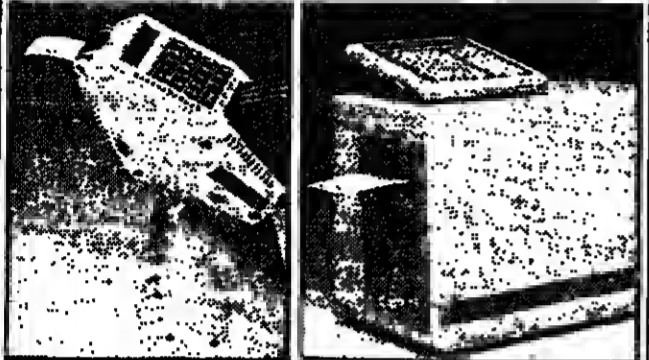
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Continued on page 5.



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ACCESS CONTROL The ins and outs of security

ACCESS CONTROL has been used for nearly four thousand years - the Greeks were probably the first to have a lock and key system, which the Romans copied in bronze. Europeans are still in the forefront of developments in security as the need to protect sensitive premises and equipment from intruders becomes more and more important.

The European market for such security products, known as the access control industry, will become even more buoyant as technology refines and the cost of vital microprocessor power falls, predict Frost and Sullivan, the New York-based analysts.

These factors make selling the systems a hard task. Although it is an exciting market, it is also over supplied and highly competitive. Also, costs are very high in a market which is not fundamentally very different from the domestic door locks market.

The biggest push has to come from the manufacturers, who are competing to develop products which do not generally have a great deal of consumer demand behind them.

Now the Western European market is developed, with a wide range of technologies and "end-users" - from hotels to hockey stadia.

The maturity of the market creates its own problems. Frost and Sullivan say Spain is the only European country still holding great promise for growth in access control products.

The single European market in 1992 will threaten the industry with a "trauma," the analysts predict, which will fundamentally change the security installation market.

Security installations are viewed by companies as unproductive investments with

no visible rate of return; often, security expenditure is one of the first of a company's cost-cutting measures.

The residential end-user is not such a good customer either. "The typical householder has very little to show after installing a security system. The anxiety about having an intruder wreck one's home is often simply replaced by the awful fear that the security system, when it is called upon to do its job, will not function anyway," Frost and Sullivan points out.

Electronic locks are also tipped for widespread use. They have the advantage of being familiar, and also strengthen a weak point in access control: the actual lock which makes a door safe.

Keys containing chips and user information are inserted into a lock, which reads the key and allows entry. Each key can be personalised, which makes them very useful for hotel rooms.

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Keeping track of packages

Both companies say the information gleaned each time a parcel is scanned has helped them improve their efficiency.

"The investment in information management systems is, despite its high price, cost-effective," says Mr Chris Demos, business adviser in strategic integrated systems at Federal Express.

Mr Hurl explains that the courier companies will increasingly have to meet the concerns of manufacturing industry.

In particular, he believes that logistics managers not only want door-to-door delivery, but also need to know about the timing of arrival.

"With increasing concern about just-in-time management and inventory control, customers want to know where a package is and exactly when it will arrive. That sort of information is only achievable through management information systems," says Mr Hurl.

Mr Demos at Federal Express agrees that the service the company provides is not limited simply to pick up and delivery, but also includes supplying information about its whereabouts. He says that with a high value product, the company needs to know where it is and not just guess.

From the scanning of the bar codes along its route, we obtain a tremendous amount of information," says Mr Demos.

to go into decline," explains Mike Hurl, regional Management Information Services manager in the UK and Republic of Ireland.

"The emphasis of our business will change away from documents to components as electronic data interchange, electronic funds transfer and fax reduce the amount of hard copy transmitted."

The US Postal Service has launched an ambitious programme so that by 1995 it will be automatically sorting 100 per cent of mail passing through the system. At present, 25 per cent of the 600m items delivered daily are sorted using bar-codes. The Service plans to invest \$50m over the next five years to achieve its target.

The UK Post Office's plans are somewhat more modest - in line with its daily delivery of a mere 14m letters a day. Nevertheless, it is investing £50m over the next three years in improving its service.

Some of that sum has already been invested this month with the purchase of 90 optical character recognition machines to supplement the 17 AEG Olympia machines already installed. Admittedly, not all experiences of automatic identification within the transport industry have been as successful as these projects.

One of the early attempts to use bar-codes in the North American railroad industry in the mid-60s was particularly unsuccessful. The Association of American Railroads took seven years to install the required scanners and supply

2m freight cars with labels. However, because the labels were poorly maintained they became too dirty to read and this problem, together with difficulties of compatibility, meant that the system was virtually abandoned.

There have also been practical problems with automatic identification: "ticketing systems. For example, after the installation of a system in Hong Kong by the Mass Transit Railway Corporation in 1979, the Corporation discovered that 73 per cent of people going to pay excess fares had their tickets on their tickets removed. Almost all of these were women whose tickets had been wiped by the magnetic clasp on their handbags. Ticket pouches with zipped mild steel panels had to be introduced to protect the ticket from magnetic influence.

Most of the practical difficulties involved with automatic identification are now thought to be solved as the technologies become more established.

As a result, the market for automatic identification in the transport sector is expected to increase rapidly in the early 1990s. Market Intelligence Research Company, in the US, estimates that in 1987, 451,000 units worth \$34.4m were sold to the transport market. It believes this will increase to 2.4m units, worth \$602m, by 1993, adding that much of the growth could come from the airline sector where bar-codes or magnetic stripe technology could be used to identify and match baggage and passengers.

Paul Abrahams

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**AUTOMATIC IDENTIFICATION 5**

**Machines with the power to read**

**Scope for expansion**

LOOK AT the bottom of your cheque book and you will see a script which forms the basis of the daily processing of millions of banking transactions. The characters are printed with special ink which allows Magnetic Ink Character Recognition (MICR), a mature technology which is increasingly linked with its non-magnetic relation, Optical Character Recognition (OCR).

Superficially, it is easy to think that the future for the MICR market is depressing. As more and more consumers use credit and direct debit cards, the outlook for cheque volumes should be more bleak than it actually is.

In the UK, for example, nearly a quarter of the adult population is "un-banked" industry jargon meaning they do not have a cheque account.

Meanwhile, the OCR market - predicted by some industry analysts to be entering a phase of stagnation - arouses great enthusiasm among OCR equipment suppliers.

Until recently, this has put constraints on its operational advantages. Effective OCR was limited to two standard typefaces known simply as OCR-A and OCR-B. These were designed to be produced on typewriters and basic impact printers, and had the advantage that they could be read by people as well as machines.

Technology has made rapid strides, however, and the latest generation of machines is likely to transform the applications of OCR. Now, OCR uses complex algorithms to analyse digital bit streams, incorporating programmes which make statistical judgments that over-

**Local government is set to become a big user of optical character recognition technology**

tain patterns of pixels represent specific digits or characters, however, and the latest generation of machines is likely to transform the applications of OCR. Now, OCR uses complex algorithms to analyse digital bit streams, incorporating programmes which make statistical judgments that over-

Although the development costs are high, once in place the recognition and capture of data via such methods is very cheap. What is holding OCR back are continued doubts about the reliability and accuracy of its character recognition.

One recent US conference attendee was told that attempts by the US tax authorities to use OCR technology for data and document processing was hampered by limited accuracy and the need for a high degree of human intervention.

There are important lessons for the UK, where the introduction by the Government of the controversial poll tax will result in a massive expansion of readable documents - "the tax will throw a lot more paper into the clearing system," says Geoffrey Tait of NCR. "It makes sense to automate the payments side of the tax."

Local government is thus set to become a major user of OCR, while among the biggest customers are the utilities. Mr Billman cites the example of

the UK's privatised gas utility, British Gas. Recognition Equipment is one of the suppliers helping Gas to fit its show-rooms with cash-receiving systems and OCR readers to speed up the processing of customers' payments.

One utility which needs to improve its record is the Post Office. Unlike its French and US equivalents, the Post Office suffers a major handicap because it operates an alpha-numeric post code system.

Much of its recent investment has been in OCR equipment which allows typed and printed post codes to be read by a scanner. The system can recognise up to 50 different typefaces, jet-printing a series of blue-phosphorescent dots in binary format on to the front of the envelope. These dots represent the post code, and can give details of the address down to a single building.

The postcodes of non-typed addresses can be entered through a key-board by hand and the dots then printed out in the same way on to the envelope.

Mr Keith Phillips, head of engineering, research and development at the Post Office says that at their best, the scanners, supplied by AEG, will read 32,000 letters an hour.

Critics point out, however, that printed or typed postcodes occur on a small minority of mail, and that the UK is far behind France, where a combination of machine-reading of the actual address and scanning of the numeric postcode is already producing dramatic efficiency improvements in trial situations.

Another possible growth area in the UK will be the new shareholders created by the planned flotation of building societies, themselves becoming more like banks as they strive to offer extra services to their customers.

The millions of new shareholders created by the Abbey National flotation alone will result in a huge volume of both share and payments documents, with obvious OCR applications.

Perhaps the most exciting developments in OCR technology concern the rapid advance of image-scanning equipment, but this has applications away from automatic identification.

Andrew Freeman

**The plastic card collection grows**

ANDREW FREEMAN looks at developments in magnetic stripe technology.

YOU KNOW an industry is expanding rapidly when it suddenly begins to impinge on the lives of ordinary consumers and workers for the first time.

Two developments have recently made the fully conscious of magnetic stripe technology and its role in the automatic identification business. The first was the replacement of my old bank cheque card by a new and more sophisticated card which has a triple function as credit card, cashpoint card and cheque guarantee card. It can also be used instead of cheques at selected retailers.

The second was the issuing to all Financial Times employees of a card for access control and vending machines as part of the recent move to a new building. A leap into a modern office environment with appropriate technology and the need for corporate security gave the impetus to a change not warmly welcomed by all members of staff.

Both these additions to my wallet rely on magnetic stripe technology to identify me in particular situations. And according to Mr Rodney Woodhatch, sales manager of McCordale Security Cards, my experience is typical - "cards of all sorts are a huge growth area, and most of them have a magnetic stripe," he says.

MIRC, the consultants, estimate sector growth at an annual 23 per cent, suggesting that magnetic stripe has the potential to become the major rival to bar code technology.

As evidence of the market's existing size and importance, MIRC points to an estimate by the Electronic Funds Transfer Association that in the US in 1987 there were 152m debit cards and 17m credit cards in use.

Magnetic stripe is relatively costly, but attractive payback ratios mean it will enjoy strong growth in its traditional strongholds, finance/banking and the retail market.

Costs have risen in parallel with the sophistication of the

cards themselves, but the basic technology is relatively simple. The magnetic stripe is manufactured separately and then attached to the body of the card. During the attachment process, the stripe is encoded and embossed with its personal characteristics, for example, bank or credit account details.

Two processes of attaching the magnetic stripe are typical. In the UK and Europe, the stripe is laminated on to the card after the printing and manufacture of the card is otherwise complete.

As the cards themselves become more complicated - McCordale, for example, prints picture cards with up to 20 different colours - costs have risen, but even the most expensive card costs only around 25p.

Against current charges of some £5 for a chip card, then, magnetic stripe looks secure for the moment. However, debate in the industry centres on how magnetic stripe will fare against the chip and hybrid cards of the future.

Mr Orest Pisanì, manager of the information systems department of Omron, which manufactures and supplies card readers to banking and telecoms companies, thinks magnetic stripe has an advantage which will last - "it will remain a huge market for at least the next five years, because chips will be too expensive," he says.

Mr Woodhatch agrees: "Banks have made huge investments in card readers and magnetic stripe systems. It will be very expensive to change to another medium, and it's hard to see them doing it while magnetic stripe is seen to work."

Nevertheless, he forecasts a period of between five and 10 years during which hybrid cards may be developed as part of a gradual shift towards new technology. MIRC cites the fact that in the US, the two major consumer credit card companies, Visa and MasterCard, put their plans to introduce smart cards on ice after it was judged too expensive.

In some markets, magnetic stripe is set to undergo massive expansion as governments plan to introduce identification cards. In others, it will consolidate its market share.

Additionally, however, a host of newer applications should cement the magnetic stripe business. Modern transport systems are increasingly

using ticketing methods based on stripes, while telephone cards which hold credit are common throughout the world.

Vending machines are forecast as a major growth area, while several governments are known to be considering using magnetic stripe identification to streamline the payment of welfare funds such as unemployment benefits.

The great advantage of magnetic stripe is that the data stored on the stripe can be rewritten whether to change personal details, update an access code or to input new credit details.

The stripe itself carries three operational tracks, each with a different encoding density. The first track, once called the IATA track because of its widespread use by international airlines, allows up to 76 usable alpha-numeric characters.

The second track is still called the ABA (American Banking Association) track. It allows 37 usable numeric characters and normally carries the so-called BIN (bank identification number).

The third track, known as MINITS, carries up to 104 characters, which are usually encrypted and contain details like credit limits and personal identification numbers.



Example of the latest in ear tag technology at Philip Greensacre's Suffolk farm.

**Farms send out the signals**

DELLA BRADSHAW highlights advances in radio frequency identification systems.

CATTLE farming has given us few technologies which can be applied to business and manufacturing - but automatic

identification using radio signals is one of them.

Radio frequency (RF) identification systems are one of the newest forms of automatic identification, and are now being used for everything from identifying manufactured goods on the production line to simplifying toll charge systems for roads, bridges and tunnels.

The demand for such equipment is growing fast. The world market for RF identification was worth only \$63m (£8m) in 1987, according to market research company Cutter Information Corporation of Arlington, Massachusetts. The potential market could be \$1.3bn by 1991, though the industry's capacity by then is expected to be only \$375m.

RF identification systems cover a range of technologies, but essentially consist of electronic tags which are attached to the product or animal. Each tag has a small printed circuit board that contains a receive and transmit antenna. A reader or decoder sends out a radio signal to the tag, and from the response recognises the equipment or item.

In the cattle business, which was the first sector in the UK and Europe to use RF identification, tags on cows' necks can be used to recognise each animal as it comes indoors to be fed. Farmers can use the equipment to promote individual feeding programmes.

One of the most popular applications for RF systems today, in the UK and on the Continent, is as a method of controlling access to buildings. Each card is programmed with a unique identifying code, which is passed in front of the scanner system and "read".

In the UK organisations as diverse as the Daily Mail newspaper, the Maritime Museum in Liverpool and Bank of America are using such systems. They have all opted for equipment from Schlage Electronics, of Santa Clara, California, a subsidiary of Ingersoll Rand. With the Schlage system each card has to be passed within four inches of the reader.

Other manufacturers of RF systems, for animal, building access and industrial applications include APT, Mars and Allen-Bradley of the US, and an array of European electronic equipment suppliers, such as GEC of the UK, Philips of Holland and Siemens of West Germany. The market also has room for a large number of smaller specialist suppliers.

Building access systems are relatively low priced applica-

tions, as the tag or card is passively encoded. That means that when the reader sends out the radio signal the capacitors on the tag, which are tuned to the correct frequency, respond in a pre-determined sequence, identifying the card.

More sophisticated systems, usually used to identify equipment in manufacturing processes, are battery-powered and can be programmed during manufacture to add more information. The latest systems have the capacity to store up to 8,000 characters, and can operate with the reader as far as 20 feet away from the tag.

The main application of the programmable tags is in sectors such as the automotive industry - several car makers are using RF systems to keep track of their products. As each part of the manufacturing process is completed, the tag is amended by the reader, and the vehicle can then pass on to the next part of the process.

The car industry is an obvious target market for this type of tagging. The minimum price for a complete system of reader and tags, for example, is about \$2,000. However, as the cost of the advanced electronics comes down, the RF systems should find a growing number of applications. Cutter Information Corporation predicts that during 1989 a number of new applications will grow rapidly to dominate the market.

One particularly strong area will be in car licensing systems, bolstered by the introduction of RF tagging in several US states as part of the process for registering vehicles. The aim of the project is to help in vehicle identification for toll collection, safety inspections and ticketing procedures.

Cutter predicts the market for car licensing systems, which was worth \$12m in 1988, will generate sales of \$185m this year and \$260m in 1990.

Another large growth area will be in baggage tagging. Recent worries about the security of baggage handling at airports are likely to promote RF systems in this potentially lucrative market.

There are some limiting factors to expansion of the market for RF systems, however, principally legislative and environmental. Because the radio spectrum is a finite resource, its use is highly regulated in most countries. For that reason, many higher frequency RF identification systems have to be licensed for use by the appropriate national government or government-related bodies.

**Advances in printing technology**

Continued from page 4 for food packaging, when unpredictable information is unlikely to be added.

ing bar-codes tended to be expensive because it required a high quality coating between the substrate and the bar code. The complete cost of finishing this to produce finished art-

work could range between £45 and £55 each item - a costly investment if the thousands of labels were needed by a supermarket launching its own brands.

However, software developed by Leicestershire-based Computalabel which is capable of running on an Apple Macintosh should make the process more attractive by bringing down the price to about £15 an item.

The second main method of generating bar codes is by impact printing. This was one of the earliest methods of creating bar codes and is particularly used for creating low-cost, high speed and good quality images. A drawback is that it is difficult to use the technology to create serialised bar codes or make changes during the printing process.

Dot-matrix printers present another option. These are more versatile than impact printers but generate labels more slowly and, because of the round dots used to create the lines, tend to leave ragged lines which can be difficult for less sensitive cameras to read.

Non-contact methods of printing include ink-jet, laser, thermal, thermal transfer and ion deposition.

Laser printing offers excellent quality, but tends to be expensive in comparison to some other technologies.

Thermal printing is most commonly seen by the public in supermarkets at vegetable or delicatessen counters where they are used to generate codes quickly and quietly. This method has the advantage of comparative low cost, but the bar-codes generated in this way are affected by environmental conditions, especially heat and sunlight.

Ink-jet printing is often incorporated into production lines because of its speed and flexibility - information can be changed on each item printed even though some printers are capable of 35,000 bar codes an hour. This technology is useful for delicate surfaces because there is no actual contact. The printing can also be continuous or drop on demand.

Ion deposition and thermal transfer printing are also expected to play an important role in the automatic identification in future years.

One further technology which has become available recently is laser etching. This is seen as a potential solution for applications in harsh environments.

Paul Abrahams

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COMMODITIES AND AGRICULTURE

Oil prices fall on worries about Opec manoeuvring

By Steven Butler

OIL PRICES fell yesterday as markets reacted with concern to reports that Opec members are planning to meet in Vienna...

THE DANISH state oil and gas distribution company has agreed to buy 380m cubic meters of North Sea gas...

Oil prices were down 2 1/2 cents at \$17.30 in European trading. At the New York Mercantile Exchange, June futures contracts were unchanged...

Attacks keep PNG copper mine closed

By Chris Sherwell in Sydney

PAPUA NEW Guinea's Bougainville Copper mine entered its second week of closure yesterday with no sign of an early re-opening...

Grain balance 'could move either way'

By Tim Dickson in Brussels

TOTAL WORLD grain production could fall below consumption again this year - but much depends on weather patterns in the major producing areas...

"of particular importance" and that some uncertainty existed about support measures for cereals...

successful as planned, so that the country's overall grain requirements would exceed earlier forecasts...

the high level of Soviet grain demand. Demand for improved availability and variety of food continues to grow in the Soviet Union...

EC decides coffee pact stance

By David Buchan in Brussels

THE EUROPEAN Community will agree to extend the existing international coffee agreement for another year beyond September 30...

market. However, EC ministers admit that the decisive factor may be the unwillingness of the US to renew the coffee accord...

can buy up to 50 per cent cheaper than those participating in the commodity agreement. In addition, they say, this has encouraged coffee production to grow three times as fast as consumption...

Indonesia weathers tin crisis

John Murray Brown on the world's third biggest producer

IN THE early 1980s, when prices were being supported at artificially high levels, Indonesian tin provided a good living for thousands of people, from employees of the state mining company...

be raised to 37,000 tonnes. At some high grade offshore deposits Timah is now dredging at a depth of more than 50m...

1986 evaluation (Timah earns dollar revenues but incurs much of its cost in local rupiah). The corporation is still considered grossly overmanned...

the ATFC, world supplies are so tight that the US could release a further 9,000 tonnes without disturbing the market. According to the ATFC...

Cocoa lifted by more I Coast rumours

By David Blackwell

RUMOURS ABOUT the sale of the Ivory Coast's cocoa crop for next year have once again swayed the futures markets in both London and New York...

ket the Ivory Coast's crop next year. Moutafian would also make no comment. The July contract in London closed \$15 ahead at \$753 a tonne...

demand for this year alone at 199,000 tonnes - the fifth successive year of oversupply. Mr Chadwick also believes that the upward move over the last few days has been a major reaction from the recent sell-off which took prices below \$700 a tonne during trading last Wednesday...

For Mr Habibe Namalin, the Prime Minister, the deterioration in security is an embarrassment. He is due in Australia this week on an official visit which has already been postponed once because of the Bougainville disturbances...

WORLD COMMODITIES PRICES

LONDON MARKETS

Table with columns: Commodity, Close, Previous, High/Low. Includes Gold, Silver, Platinum, and various metals.

COFFEE \$/tonne

Table with columns: Commodity, Close, Previous, High/Low. Includes Arabica and Robusta coffee prices.

LONDON METAL EXCHANGE

Table with columns: Commodity, Close, Previous, High/Low. Includes Aluminum, Copper, Lead, Zinc, and Tin.

SOYABEAN MEAL \$/tonne

Table with columns: Commodity, Close, Previous, High/Low. Includes various soyabean meal grades.

US METALS

Table with columns: Commodity, Close, Previous, High/Low. Includes Aluminum, Copper, Lead, Zinc, and Tin.

NEW YORK

Table with columns: Commodity, Close, Previous, High/Low. Includes Gold, Silver, and various metals.

CHICAGO

Table with columns: Commodity, Close, Previous, High/Low. Includes Soyabean Meal, Soyabean Oil, and Corn.

WHEAT \$/bushel

Table with columns: Commodity, Close, Previous, High/Low. Includes various wheat grades.

SPOT MARKETS

Table with columns: Commodity, Price. Includes various oil products, gas, and other commodities.

CRUDE OIL \$/barrel

Table with columns: Commodity, Price. Includes various oil grades and products.

SOYABEAN MEAL \$/tonne

Table with columns: Commodity, Price. Includes various soyabean meal grades.

SOYABEAN OIL \$/tonne

Table with columns: Commodity, Price. Includes various soyabean oil grades.

WHEAT \$/bushel

Table with columns: Commodity, Price. Includes various wheat grades.

CORN \$/bushel

Table with columns: Commodity, Price. Includes various corn grades.

WHEAT \$/bushel

Table with columns: Commodity, Price. Includes various wheat grades.

WHEAT \$/bushel

Table with columns: Commodity, Price. Includes various wheat grades.

LONDON STOCK EXCHANGE

# Interest rate fears topple equities

A LONDON equity market inclined to take profits after its recent rise hit heavily yesterday by a sudden combination of bearish developments which reignited fears that domestic and international interest rates might yet be forced higher. UK equity market capitalisation fell by 27.2bn in the largest daily setback since mid-March as sterling fell heavily and London money market rates once again moved above 13 per cent.

The fall in sterling caused uneasiness ahead of Thursday's announcement of the three-month rate for April. Most City forecasts are for a little changed monthly deficit of

trading peak in early deals. However, County NatWest and James Capel, respectively marketmakers and agency brokers in the London market, were advising clients to take profits, and a falling pound-sterling took its toll. The dollar-earning stocks at first continued to benefit from the renewed surge in the US currency, but were finally overwhelmed by the bearish direction of the rest of the equity sector.

At its worst moment, the market was more than 41 FT-SE points down as unfounded stories circulated of emergency meetings of central bankers and impending hikes in international interest rates.

Additional uncertainty was caused by the overnight fall in the Hong Kong stock market, which implied losses for some of the international funds active in London.

Turnover in the London market was substantial, although session volume declined to 614.6m shares from Friday's 856.8m. Selling was led by market professionals rather than retail investors, and was concentrated in the stock futures market. Friday's closing premiums on the FT-SE futures contracts were savagely trimmed, and some contracts traded at a discount during the session.

The final reading on the FT-SE index showed a fall of

## Far East tremors at C & W

Developments in Peking triggered a wholesale slide on the Hong Kong market and caused a sharp reversal in shares of Cable & Wireless (C & W), one of the stocks perceived to have the widest profit exposure to the Far East. C & W, one of the market's best performers last week, slumped to 538p at worst yesterday but later rallied to close a net 33 lower at 545p after turnover of 10m.

Patrick Wellington, electronics analyst at County NatWest, the securities house, said that some 70 to 80 per cent of C & W's pre-tax profits for the year 1988-9 would come from Hong Kong. That figure would decrease to around 70 per cent in 1989-90 as C & W subsidiary Mercury moves into profits, said Mr Wellington.

The County analyst described events in China and, more importantly for C & W, in Hong Kong over the weekend as "very worrying, even if it doesn't knock down the concept that US investors will be greatly attracted to the shares as a similar company to Racal, they may well be frightened off by the Far Eastern profits connection."

C & W's strong gains over recent weeks have come in the wake of market hopes of their sales of Hong Kong Telecom shares where the C & W stake is 78 per cent.

### Chartered unsettled

Standard Chartered's long-standing association with the Far East, and in particular with Hong Kong, was responsible for the substantial decline in its share price which fell away to close a net 14 off at 534p. Turnover, however, was never more than lively and finally settled at 1.1m shares.

Mr Ian Shelley, banks analyst at WI Carr, said Standard's exposure to Hong Kong was significant. "The group has 130 offices there and Hong Kong provides around half of the Far Eastern profits of the group."

The last accounts show that the Asia/Pacific region provided some 590m of Standard's 531m pre-tax profit, indicating that Hong Kong earned Standard some 545m pre-tax. On the same basis, Hong Kong is thought to account for some £4.5bn-worth of Standard's assets of £24bn.

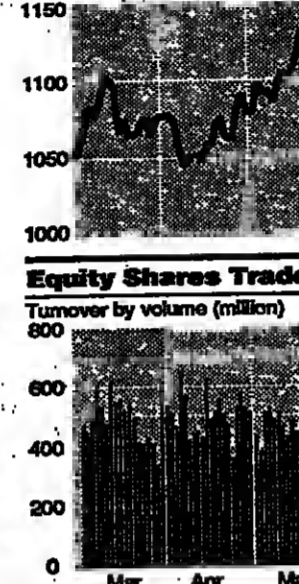
The WI Carr analyst added: "On balance we are taking an optimistic view of events, especially as they (Standard) are in the firing line, perhaps they ought to have a Hong Kong-type rating."

The new advance in the US dollar threw the spotlight once again on Glaxo, which takes the exchange rate on June 30, its year-end, as its base for the year's dollar earnings. The prospects for this year's dollar rate inspired James Capel, London's leading agency broker, to upgrade from 2968m to 311m its forecast for this year's pre-tax profit total.

"Unless there were to be an absolutely traumatic reversal in the dollar between now and the end of the month, we regard our forecast as certain," said Mr Robin Gilbert of Capel. The shares gained 6 to 1443p yesterday, but turnover was not exciting.

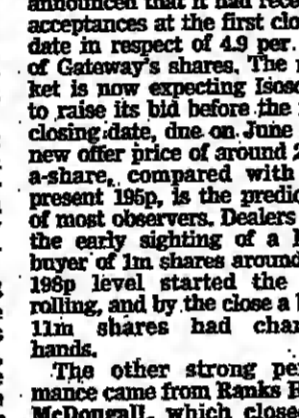
Two of the only five FT-SE 100 stocks to end the day firmer came from the Foods

### FT-A All-Share Index



Mer Apr May

### Equity Shares Traded



Mer Apr May

### per cent rise in full year profits

to 227m, and the shares closed only a shade above 538p. As the bid before the next closing date, one on June 2. A new offer price of around 210p-a-share, compared with the present 195p, is the prediction of most observers. Dealers said the early sighting of a large buyer of 1m shares around the 195p level started the ball rolling, and by the close a busy 11m shares had changed hands.

The other strong performance came from Banks Hovis McDougall, which closed 10 better at 460p on turnover of 5.4m shares after announcing that it was withdrawing its £1.4m takeover bid for Associated-Lian group, Goodman Fielder. "The bid is a growing belief in the market that Sunningdale, the vehicle of Sir James Goldsmith, Mr Jacob Rothschild and Mr Kerry Packer, will launch a full bid for the foods group within a few months. Last week Sunningdale acquired 29.5 per cent of REIM from Goodman Fielder. Associated British Foods pleased the market with a 13

### "A" down 18 at 346p

taking a pair of 346p after last week's strong performance. The largest of the regional brewers, Greenall Whitley, were unlikely to choose such a day to report that they had made a profit of 14.5 per cent. The group's shares failed to buck the trend, and closed 8 easier at 300p.

Grand Metropolitan put in a standing performance, rising at one stage to 597p, before falling back to 583p on turnover of 3.2m shares. The stock's resilience was a result of two important presentations in London: one hosted by securities house Nomura for Japanese institutions, the other by the company itself for leading UK institutions. GrandMet told its audiences that the group should achieve its long-term earnings growth target of 15 per cent per annum this year.

Ladbroke, keenly sought during the last account, came back to earth with a bang; the shares dropped 29% to 598p on turnover of 2.7m. "Once last week's Japanese buyer failed to appear the shares took a real pasting," remarked one trader.

Vibropant, the plant-hire group, were outstanding, and jumped 10 to 257p ahead of today's preliminary figures.

Anglia Secure Homes remained under the selling pressure evident since the profits warning issued by fellow sheltered homes builder McCarthy & Stone. The former closed a further 25 off at 387p, while the latter fell 5 to 225p.

A rash of dividends saw the Stores sector turn down sharply after last week's impressive gains. The notable exception was the performance of Burton, which rallied from a

### Allied stake

In spite of the large fall in Allied Lyons, Mr Alan Bond's decision to place a substantial part of his 5.7 per cent stake in the UK brewer was greeted with relief by the market. The 3m shares (4.4 per cent of the company), sold at 445p (including the dividend) by broker Smith New Court in no more than 20 minutes, were said to have been spread between a number of institutions and at the close the Allied price was down 27 at 446p on turnover of 6m.

Dealers said the stake had been placed with relative ease because the shares, which have underperformed the market by 20 per cent this year, were clearly undervalued. The bid premium had disappeared from the price along with hopes that Mr Bond would make an offer for Allied; following yesterday's sale, analysts predict the shares will rally strongly. "If it hadn't been for the Bond stake Allied would have been over 500p," said Mr Ron Littleby of Nomura Research.

Although the Australian

### NEW HIGHS AND LOWS FOR 1989

**NEW HIGHS (1984) LOWS (1984) AMERICANS**  
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FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-225-2120

Main table containing FT Unit Trust Information Service data, including columns for Unit Trust Name, Price, Yield, and other financial metrics. The table is organized into multiple columns and rows, listing various investment funds and their performance.

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FT UNIT TRUST INFORMATION SERVICE

Main table containing FT Unit Trust Information Service data, including various fund names, prices, and performance metrics.

LONDON SHARE SERVICE

Main table containing London Share Service data, including British Funds, Commonwealth & African Loans, and American Funds.

COMMONWEALTH & AFRICAN LOANS

Table listing Commonwealth & African Loans with columns for Stock, Price, and Yield.

FOREIGN BONDS & RAILS

Table listing Foreign Bonds & Rails with columns for Stock, Price, and Yield.

AMERICANS

Table listing American Funds with columns for Stock, Price, and Yield.

MONEY MARKET BANK ACCOUNTS

Table listing Money Market Bank Accounts with columns for Name, Price, and Yield.

BRITISH FUNDS

Table listing British Funds with columns for Stock, Price, and Yield.

BRITISH FUNDS - Contd

Table listing British Funds - Contd with columns for Stock, Price, and Yield.

INT. BANK AND O'SEAS

Table listing International Bank and Overseas Funds with columns for Stock, Price, and Yield.

CORPORATION LOANS

Table listing Corporation Loans with columns for Stock, Price, and Yield.

OTHER OFFSHORE FUNDS

Table listing Other Offshore Funds with columns for Stock, Price, and Yield.

OFFSHORE INSURANCES

Table listing Offshore Insurances with columns for Stock, Price, and Yield.

UNIT TRUST NOTES

UNIT TRUST NOTES: Prices are in pence unless otherwise indicated and these represent the net asset value after deduction of charges.

Money Market Trust Funds

Table listing Money Market Trust Funds with columns for Name, Price, and Yield.

LONDON SHARE SERVICE

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AMERICANS - Contd

Table listing American stocks including IBM, Microsoft, and General Electric with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and roads stocks including Balfour Beatty and Bovis Lend Lease.

DRAPERY AND STORES - Contd

Table listing drapery and stores stocks including Debenhams and Next.

ENGINEERING

Table listing engineering stocks including BAE Systems and British Aerospace.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial stocks including British Petroleum and Shell.

INDUSTRIALS (Misc.) - Contd

Table listing various industrial stocks including British Airways and British Telecom.

CANADIANS

Table listing Canadian stocks including Alcan and Inco.

ELECTRICALS

Table listing electrical stocks including British Energy and British Nuclear Fuels.

FOOD, GROCERIES, ETC

Table listing food and grocery stocks including Asda and Sainsbury.

INSURANCES

Table listing insurance stocks including Aviva and Prudential.

HOTELS AND CATERERS

Table listing hotel and catering stocks including Whitbread and Premier Inn.

INDUSTRIALS (Misc.)

Table listing various industrial stocks including British Airways and British Telecom.

BANKS, HP & LEASING

Table listing bank and leasing stocks including HSBC and Citibank.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks including ICI and Dow Chemicals.

DRAPERY AND STORES

Table listing drapery and stores stocks including Debenhams and Next.

INSURANCES

Table listing insurance stocks including Aviva and Prudential.

HOTELS AND CATERERS

Table listing hotel and catering stocks including Whitbread and Premier Inn.

INDUSTRIALS (Misc.)

Table listing various industrial stocks including British Airways and British Telecom.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks including Heineken and Diageo.

DRAPERY AND STORES

Table listing drapery and stores stocks including Debenhams and Next.

INSURANCES

Table listing insurance stocks including Aviva and Prudential.

HOTELS AND CATERERS

Table listing hotel and catering stocks including Whitbread and Premier Inn.

INDUSTRIALS (Misc.)

Table listing various industrial stocks including British Airways and British Telecom.

INDUSTRIALS (Misc.)

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BUILDING, TIMBER, ROADS

Table listing building, timber, and roads stocks including Balfour Beatty and Bovis Lend Lease.

DRAPERY AND STORES

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INSURANCES - Contd

Table of insurance companies and their share prices, including Royal Indemnity, Commercial Union Assurance, and others.

LEISURE

Table of leisure companies such as British Skyways, British Airways, and others.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade companies like Rover, Leyland, and others.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publishing companies including News International, Newsprint, and others.

PAPER, PRINTING, ADVERTISING - Contd

Table of paper, printing, and advertising companies like Newsprint, News International, and others.

PROPERTY

Table of property companies such as British Land, Land Securities, and others.

SHIPPING

Table of shipping companies including British Skyways, British Airways, and others.

SHOES AND LEATHER

Table of shoes and leather companies like Clarks, and others.

SOUTH AFRICANS

Table of South African companies such as Anglo American, De Beers, and others.

TEXTILES

Table of textile companies like British Textiles, and others.

TOBACCO

Table of tobacco companies like British American Tobacco.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land companies like British Land, and others.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land companies like British Land, and others.

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Table of trusts, finance, and land companies like British Land, and others.

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TRUSTS, FINANCE, LAND - Contd

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Table of trusts, finance, and land companies like British Land, and others.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land companies like British Land, and others.

OIL AND GAS - Contd

Table of oil and gas companies like British Petroleum, and others.

OVERSEAS TRADERS

Table of overseas trading companies like British Overseas Airways, and others.

PLANTATIONS

Table of plantation companies like British Overseas Airways, and others.

PLANTATIONS

Table of plantation companies like British Overseas Airways, and others.

PLANTATIONS

Table of plantation companies like British Overseas Airways, and others.

MINES - Contd

Table of mining companies like Anglo American, De Beers, and others.

MISCELLANEOUS

Table of miscellaneous companies like British Overseas Airways, and others.

THIRD MARKET

Table of third market companies like British Overseas Airways, and others.

THIRD MARKET

Table of third market companies like British Overseas Airways, and others.

THIRD MARKET

Table of third market companies like British Overseas Airways, and others.

Notes regarding share prices and company information.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Intervention fails to halt dollar

INTERVENTION BY central banks was again unsuccessful in controlling the dollar's rise in currency markets yesterday. The Bank of Japan sold an estimated \$2bn in five separate rounds of intervention in Tokyo, while the Bank of England and the Reserve Bank of Australia were active in London in the morning. In the afternoon, the US Federal Reserve intervened three times and was joined by the Bank of England again, and six other European banks in co-ordinated dollar sales.

Despite all this, the dollar still finished towards its best level of the day and up sharply from Friday. It broke through the psychologically important DM2.00 level in early European trading - the first time since December 1986. It also moved above Y140.0 for the first time since October 1987.

Strong investor demand encouraged speculators to open additional positions, and this led to a rash of stop-loss buying. The dollar touched highs of DM2.0168 and Y142.85.

However, there was no intervention by the West German Bundesbank. Mr Karl Otto Pöhl, the Bundesbank president, was quoted in a French newspaper article as saying that he did not believe currency market intervention was

efficient at holding down the dollar.

The speed of the dollar's rise - at one point it was up nearly 3 1/2 per cent from Friday's close against the D-Mark - gave rise to speculation that the Bundesbank might be holding an emergency meeting of its central council, and that the Bank of Japan was about to increase its discount rate. However, outside the market, there was little evidence that either move was imminent.

The dollar closed at DM2.0095 against DM1.9695 and Y142.05 compared with Y138.76. Elsewhere, it finished at SF1.7930 from SF1.7875 and FF1.8925 from FF1.8700. On Bank of England figures, the dollar's exchange rate index rose from 71.1 to 72.4.

Sterling fell sharply against the dollar and also lost ground against the D-Mark and other EMS currencies. Its exchange rate index fell to 83.7 from 84.0 at the opening and 84.5 on Friday.

Investors are concerned that UK trade figures for April - due on Thursday - will show a sharp deterioration from the \$1.7bn shortfall in March, as companies build up stocks ahead of a possible docks strike in Britain.

The pound fell to \$1.8805, its lowest level since August 1987, and down from \$1.8190 on Friday. It was also weaker against the D-Mark at DM3.1775 from DM3.1875 and Y224.50 from Y224.75. Elsewhere, it slipped to SF2.8590 from SF2.9450 and FF1.7625 from FF1.8700.

The Australian dollar fared badly against the US dollar, breaking through support at 76 US cents to close in Sydney at 74.60. The weaker tone was continued in London where by mid-morning it had fallen to 73.90, its lowest level since February last year. It recovered slightly to close at 74.20.

EMS EUROPEAN CURRENCY UNIT RATES table with columns for Country, Unit, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

POUND SPOT - FORWARD AGAINST THE POUND table with columns for Term, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR table with columns for Term, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

EURO-CURRENCY INTEREST RATES table with columns for Term, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

EXCHANGE CROSS RATES table with columns for Currency, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

OTHER CURRENCIES table with columns for Country, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

FINANCIAL FUTURES

Sterling prices lose ground

STERLING BASED futures fell quite sharply in the London Life market yesterday. Values were marked down in brisk trading as cash rates moved firmer in response to a weak pound.

The June short sterling price fell to 86.79 in the September contract, down from 87.18 at the opening and 87.28 on Friday. Volume was high, with over 29,000 lots changing hands.

LIFE LONG GILT FUTURES table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

LIFE TREASURY BOND FUTURES table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

LIFE BOND FUTURES table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

LIFE US FUTURES table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

LIFE EUROSHARES table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

LIFE SHORT STERLING table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

20-YEAR 9% NATIONAL GILT table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

7.62 YEAR 9% NATIONAL GILT table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

3M TREASURY BOND table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

3M NATIONAL GERMAN GOVT. BOND table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

3M FEDERAL LONG TERM JAPANESE GOVT. BOND table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

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In September, while the June contract recorded over 21,000 transactions. West German bonds moved lower as the D-Mark weakened against the dollar. Fears of higher interest rates also encouraged investors to reduce their margin exposures, and the June bond slipped to 92.59 from 92.87 previously.

US Treasury bonds fared much better, gaining strength from the dollar's continued improvement. Demand for US-denominated paper is likely to continue even if interest rates are increased outside the US, according to market traders.

Investment portfolios in the Far East and Europe are still thought to be underweight in dollars. The June bond price rose to 93.01 from 92.11 at the start and 92.05 on Friday.

PERU BOND table with columns for Contract, Price, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

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STERLING INDEX

STERLING INDEX table with columns for Time, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

CURRENCY RATES

CURRENCY RATES table with columns for Currency, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

CURRENCY MOVEMENTS

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OTHER CURRENCIES

OTHER CURRENCIES table with columns for Currency, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

MONEY MARKETS

UK rates firmer

UK INTEREST rates moved higher yesterday against a gloomy background of rising inflation and wage costs, a weaker pound and apparently little prospect of an improvement in April trade figures over March. The key three-month interbank rate opened at 13 1/2 per cent, against 12 1/2-12 3/4 per cent on Friday, and moved up to close at a high of 13 1/2 per cent.

Longer term rates rose more than short-term rates, giving a sharper yield curve. This suggests that the market is even less confident about the prospects of a fall in base rates in the short to medium term. The Bank of England forecast a surplus of around £350m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £500m. In addition, banks brought forward balances of £70m below target. These were more than offset by a fall in the note circulation of £500m and Exchequer transactions which added £250m. The forecast was revised to a surplus of around £100m, and

FT LONDON INTERBANK FIXING

FT LONDON INTERBANK FIXING table with columns for Term, Rate, % change from previous day, % change from previous week, % change from previous month, % change from previous year.

MONEY RATES

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LONDON MONEY RATES

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NEW YORK

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at the opening and 84.5 on Friday. Investors are concerned that UK trade figures for April - due on Thursday - will show a sharp deterioration from the \$1.7bn shortfall in March, as companies build up stocks ahead of a possible docks strike in Britain.

The pound fell to \$1.8805, its lowest level since August 1987, and down from \$1.8190 on Friday. It was also weaker against the D-Mark at DM3.1775 from DM3.1875 and Y224.50 from Y224.75. Elsewhere, it slipped to SF2.8590 from SF2.9450 and FF1.7625 from FF1.8700.

The Australian dollar fared badly against the US dollar, breaking through support at 76 US cents to close in Sydney at 74.60. The weaker tone was continued in London where by mid-morning it had fallen to 73.90, its lowest level since February last year. It recovered slightly to close at 74.20.

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World Stock Markets

WORLD STOCK MARKETS

Table of stock market data for various countries including Australia, Canada, Denmark, France, Germany, Italy, Japan, Norway, Spain, Sweden, Switzerland, and South Africa. Columns include stock names, prices, and changes.

Table of stock market data for Canada, listing various Canadian stocks and their performance.

Table of stock market indices for New York, including the Dow Jones Industrial Average and other regional indices.

Table of stock market data for Japan, listing various Japanese stocks and their performance.

Table of stock market data for Australia, listing various Australian stocks and their performance.

Table of stock market data for New York Active Stocks, listing individual stock prices and changes.

Table of stock market data for Tokyo - Most Active Stocks, listing individual stock prices and changes.

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Vertical text on the left margin, including 'IBL' and 'FINANCIAL TIMES'.



NYSE COMPOSITE PRICES

Table of NYSE Composite Prices with columns for High, Low, Stock, Div. Yld., % Change, and Close. Includes a section for 'Over-the-Counter' prices.

OVER-THE-COUNTER

Needs national market. 2pm prices May 22

Table of Over-the-Counter prices with columns for Stock, Div. Yld., % Change, and Close. Includes a section for 'AMERX COMPOSITE PRICES'.

AMERX COMPOSITE PRICES

3pm prices May 22

Table of AMERX Composite Prices with columns for High, Low, Stock, Div. Yld., % Change, and Close.

Advertisement for Marriott Hotel with text: 'It's attention to detail... The providing of the Financial Times to business clients that makes a great host.' Includes Marriott logo.

AMERICA

Profit-taking reduces Dow gains

Wall Street

AFTER an initial surge that took the Dow Jones Industrial Average above 2,515, up 14 points, profit-taking set in, sending New York equities lower by mid-session yesterday, writes Karen Zagor in New York.

Y138.58 and DM1.9765 late on Friday. There was no sign of the US currency weakening in spite of concerns over central bank intervention.

Mexico gas oil properties to Amerada Hess for \$911m. Amerada Hess dropped 1/4 to \$87.

Circle K, a convenience food store group, added 1/4 to \$14, after it put itself up for sale. The company also said it expected a fourth quarter loss for the year ended April 30 against a net gain a year ago.

HONG KONG'S stock market plummeted by almost 11 per cent yesterday in its largest daily fall since the global crash, in the face of continued uncertainty in Peking and the risk of a harsh army clamp-down which led to massive weekend demonstrations in the British colony.

record worth HK\$3bn, plugging the HK\$2.93bn seen on January 30. More selling is expected today, with brokers forecasting that the Hang Seng index could drop to 2,650 or maybe even 2,500.

he said - the volatility should be a short-term phenomenon. Analysts, however, do not expect any rapid improvement in the market, even if the news from Peking improves.

greater falls than might otherwise happen. Yesterday's dive started the minute the stock exchange opened, with heavy local selling.

EUROPE

Worry over high dollar leaves bourses mixed

THE STRONG dollar lay behind the uneasy tone around Europe yesterday, and bourses ended mixed, writes Our Markets Staff.

with a little buying interest. Pirelli Spa, the tyre and cables group, which forecast a moderate profit rise this year, rose L45 to L3,150.

and added FF77 to FF1.859. ZURICH crept higher as interest rate and inflation worries maintained their grip, restricting the rise in the Credit Suisse index to 2.1 points.

Street opened higher. Bond market weakness continued to depress stocks and trading was expected to remain thin this week, said one analyst.

THE YEN'S continued decline against the dollar meant the week began on a discouraging note for equities, but buying from index-linked funds brought in sufficient support to lift share prices moderately higher yesterday, writes Michio Nakamoto in Tokyo.

mostly speculative and would not last long. They expected a continuing surplus of institutional funds and other funds from quasi-public institutions, such as the post office and public pension funds, to support the market.

gained Y50 to Y1,730. Sony reached a new high for this year of Y7,600, up Y230, while Matsushita increased Y70 to Y2,550.

INDEX-linked funds help to lift Nikkei as yen declines. The Nikkei average managed to stay above the 34,000 level and closed up 65.90 at 34,097.86 after moving from a high of 34,124.06 to a low of 34,027.75.

Mexico leaps into the limelight

By Jacqueline Moore

THE WORLD was a volatile place for equity investors last week. Changes over the previous week ranged from a surge of 13 per cent in Mexico to a slump of 6.84 per cent in South Africa.

cerning direct capital investment, designed to attract more foreigners, and the confirmation on Thursday of a \$1.95bn loan from the World Bank.

South Africa moved doggedly in the opposite direction, as the strong dollar pushed the bullion price lower, knocking the country's influential gold shares.

Events in China had a depressing effect on Hong Kong. Initially encouraged by the student demonstrations, Hong Kong had reached a post-crash high on the Monday.

STOCKHOLM rose to a fifth consecutive record in a brisk trade, with strong foreign interest. The Affarsvidaren general index rose 9.5 to 1,174.2.

Investors remained cautious as they watched the dollar breach the Y140 level for the first time in 18 months. This had been widely considered to be a turning point that could determine whether the Bank of Japan decided to raise the official discount rate.

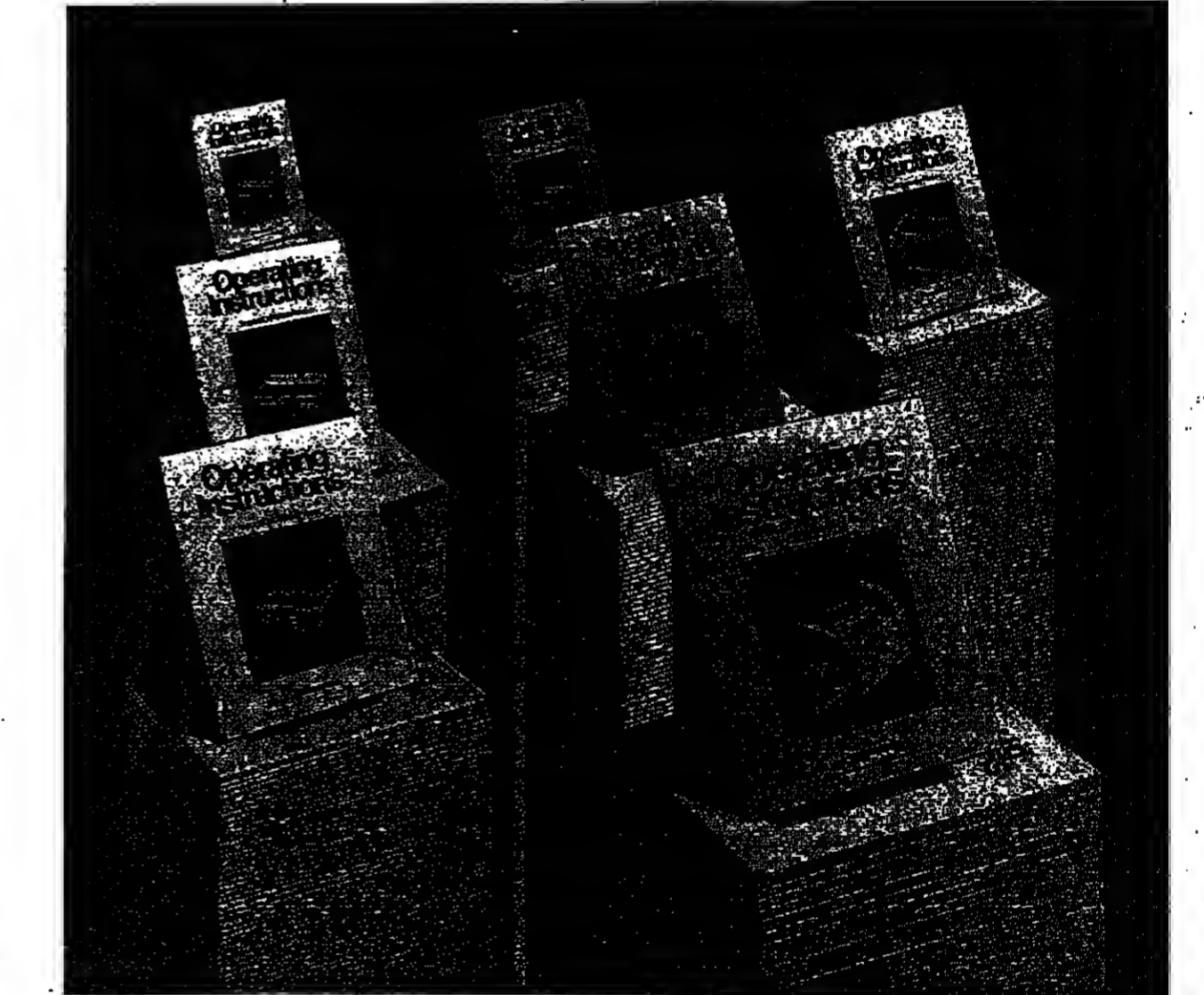
Nonetheless, many analysts said the dollar's surge did not depress the market to much as it was widely thought that the recent dollar-buying was

followed with 25.6m shares and Y20 higher at Y1,200. Hitachi followed with 25.6m shares and

Table with columns: MARKET IN PERSPECTIVE, % change in local currency, % change in sterling. Rows include Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Spain, Sweden, Switzerland, UK, EUROPE, Australia, Hong Kong, Japan, New Zealand, Singapore, Canada, USA, Mexico, South Africa, WORLD INDEX.

FT-ACTUARIES WORLD INDICES

Table with columns: NATIONAL AND REGIONAL MARKETS, FRIDAY MAY 19 1989, THURSDAY MAY 18 1989, DOLLAR INDEX. Rows include Australia, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex. UK, Pacific Ex. Japan, World Ex. UK, World Ex. UK (224), World Ex. UK (1885), World Ex. UK (2129), World Ex. UK (2368), World Ex. Japan, The World Index.



UK BESTSELLERS. Before British business people take to something new, they put it through some pretty demanding tests. So just because our laser and dot matrix printers have made a big impression on the discriminating USA market, they still had to earn their UK spurs. And now they have. In fact, our laser printer has become the UK best-seller in the 11-18ppm range and our dot matrix models retain their unbeaten reputation for power and reliability.

